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EDITORIAL

As We See It

Soon after the end of the war, the Federal Government then under the control of the Democratic party more or less definitely assumed responsibility for the prevention of any serious depression in the future. A good deal was made of this "promise" during the campaign last autumn. Most men of good sense, including many in public life, probably well understood and still understand that there is dynamite in any such attitude on the part of the government. Yet political pressure, particularly from organized labor, to honor and to reiterate assurances to this effect was and still is very great. Candidate Eisenhower felt obliged to promise that under his leadership the Federal Government would whenever the need appeared throw all of its force into

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WHAT DO YOU THINK?

Committees of the House and Senate are currently holding hearings on the subject of amending the Taft-Hartley Act. There are some who feel that picketing infringes on property rights and civil liberties and advocate the Act be amended to make the practice illegal. On the other hand, adherents of picketing oppose such an amendment and argue that it is an essential component of the strike weapon to secure human rights.

What do you think? To help clarify the subject, we are conducting an abbreviated forum in the "Chronicle" and readers are invited to briefly express their opinions regarding the above-mentioned topic or on any related phase of the subject under discussion. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 7, New York.

Eisenhower's Tax Program

President, in nationwide radio address, says nation lives in age of peril, and early tax reductions must be deferred in order to maintain adequate defense program. Would continue Excess Profits Tax until Jan. 1, and extend present corporation tax and excise levies beyond expiration date on April 1. Favors no reduction in income taxes until Jan. 1.

President Dwight D. Eisenhower, in a nationwide radio broadcast on May 19, revealed to the people his tax program for the remainder of the year. He pointed out, in view of the "age of peril" in which we live and the need for maintaining the current defense program, it is advisable and even necessary to continue present taxes and to extend beyond their expiration dates the special taxes which Congress has already provided for heavy defense expenditures.

Pres. Eisenhower

The full text of the President's address follows:

My fellow Americans:

Tonight, as you sit in your homes all across this broad land, I want to talk with you about an issue affecting all our lives. It is the defense of our country.

If we ponder this a moment, we all know that this really means the defense of those spiritual values and moral ideals cherished by generations of Americans—the true treasure of our people. This treasure of the spirit must be defended, above all, with weapons of the spirit; our will, our devotion, our readiness to sacrifice.

If we think further, we also know that this defense of America demands still other weapons. We must, of course, want to be free. But this is not enough.

To be free and to stay free, we must be strong—and we must stay strong.

Our national security is affected by almost everything that your government does—things far removed from the building of planes or the training of troops.

National security involves, for example, the plain

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On Academic Freedom

By WILLIAM CHAMBERLAIN
Formerly President of United Light & Power Company

Mr. Chamberlain defines academic freedom, and contends there is a misconception as to its limits, since no freedom is absolute. Defends action taken against Communist teachers on grounds they follow a policy of indoctrination and advocate overthrow of our government by force.

I

Academic Freedom is a loosely used term. Its comprehensive nature is revealed by the most casual consideration. What is its scope? Is it a freedom absolute in character in all matters respecting both academic subject matter and method? If not absolute, what are its limitations and by whom are these limitations to be determined? Is it a principle applicable to all lawfully licensed teachers irrespective of experience, tenure, grade, or rank? If not, to what teachers is it or ought it to be applicable? Is it a principle applicable to all institutions of learning, state, private, or parochial? As to subject matter and method, does it or should it protect the individual teacher from control by his Department head? Does it or should it protect the Department head from interference by higher faculty authority? Does it or should it free the higher faculty authority from control or interference by state authority in public institutions or the highest administrative authority in privately endowed institutions?

William Chamberlain

It is clear that the Freedom desired can never be absolute as to the individual teacher unless Department heads are prepared to acknowledge and respect it as an inviolable rule. It can never be absolute as to Department heads unless higher authorities acknowledge and respect it as to them. It can never be absolute in respect to the higher educational authority unless the state be stripped of its powers over public education, a clear impossibility since even constitutions are subject to amendment. The suggested questions are pertinent and inter-

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TEXAS GROUP OF IBA PICTURES IN THIS ISSUE—Candid pictures taken at the Spring Meeting of the Texas Group Investment Bankers Association at Fort Clark Ranch, Brackettville, Texas, appear in thi issue on pages 25 through 34 inclusive.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Warner and Swasey Co.—Wilbur Fisher Kurtz, Proprietor of W. F. Kurtz & Co., Cleveland, Ohio. (Page 2)

Stromberg-Carlson Company — Benjamin L. Prime, General Partner, Neergaard, Miller & Co., New York City. (Page 2)

WILBUR FISHER KURTZ

Proprietor of W. F. Kurtz & Co., Cleveland, Ohio

The Warner & Swasey Company

Well before the end of World War II, the management of the 73-year old Warner & Swasey Company decided that something new should be added which would help to smooth out the peaks and valleys that characterize the machine tool business Their experimental engineers, independently of each other, examined this field and that and after lengthy investigation decided that the means of production of textiles had practically stood still for the last 100 years and that here was the field with tremendous possibilities. Since the end of World War II over $4,500,000 has been spent by the company in experimental work, mostly in the field of improving and refining weaving and allied equipment. In the course of their experiments, their engineers hit upon a new idea in weaving cloth and then discovered that the Sulzers of Switzerland had already patented a machine working along their own ideas and so there was nothing to do but to get to Switzerland as soon as civilian travel was available after the war and get the American rights to the Sulzer machine, which they did.

W. F. Kurtz

The Sulzer machine was far away from perfection and the present Warner & Swasey Sulzer machine is a far cry and millions of dollars away from what was brought back from Switzerland, but the new weaving machine has been proven now for a couple of years in batteries of operations in various mills in this country. This machine weaves twice as fast and at the same time by the addition of tucking units will weave as many as three widths of cloth simultaneously and with substantially fewer imperfections in the cloth. In fact, if a thread breaks, the machine automatically stops and then can be started without leaving a mark in the cloth. Quite a machine to cut costs for a struggling textile industry. Up to this time the company has had to devote the major portion of its capacity to filling machine tool priorities and has been able to produce the weaving machine in very small amounts of a few a month. Even now the production is only up to about thirty a month. Without active solicitation for orders, they are coming in anyhow and the backlog of orders represents a year's production at current rate. The machine tool backlog is still huge and it will be months before it is down to where major effort can be inaugurated with the weaving machine.

Another important item which the company has developed is the Gradall earth-moving machine which contractors, utilities, road builders, political subdivisions, etc., are finding very useful and which is producing a substantial volume of business. These items, with other textile machinery developed by Warner & Swasey such as the pin drafter, converter, etc., are also bringing in a good volume of business which the company never had when they were purely a machine tool maker.

The point of all the foregoing is that a machine tool maker of national importance is in process of changing over from just one type of precision machine to making several others requiring precision manufacture and filling needs of tremendous importance and where the new products have already been proven by several years of actual use in practical plant operations. In fact American Woolen Co. thought so much of the W & S Sulzer weaving machine that they presented one of them as a gift to the Lowell Textile Institute and one to the Philadelphia Textile Institute and called this machine the most significant development in the art of weaving in the last 100 years.

The financial condition of the company is excellent with a quick asset ratio reported as of Dec. 31, 1952 of 3.2 to 1 and with more than adequate cash being generated to take care of all improvement plans of the company, taxes and quick liabilities. Earnings last year according to the annual report were $4.53 per share after all charges; dividends paid were $1.35 which figures a yield of over 7.8% on the current selling price around 17. Earnings for 1953 are estimated to exceed those of 1952.

After all, it's a rather interesting situation for the investor who likes a good return on his money while going along with a wide-awake management which has used plenty of gray matter in fortifying its position for the future.

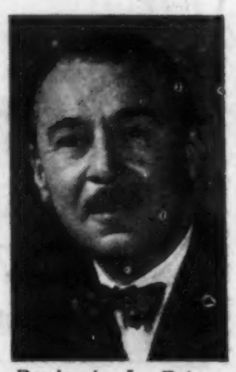
Warner & Swasey common stock is traded in the over-the-counter market.

BENJAMIN L. PRIME

General Partner,
Neergaard, Miller & Co., N. Y. City
Members New York Stock Exchange

Stromberg-Carlson Co. Common Stock

Under existing conditions, and with the economic outlook as it is, the security most attractive for capital gain as well as increasing income is the common stock of the Stromberg-Carlson Co. of Rochester, N. Y. To me the greatest opportunities for profitable investing are occasionally available in those securities of a company in a basically sound industry where, for certain reasons, the company has had troubles, the stock is depressed, and where new dynamic management takes over and shows results. Such is the situation with this company today.



Benjamin L. Prime

Management is the most important factor in any industrial enterprise. Here we have a company which for years operated successfully and profitably in the fields of radio receivers and telephone equipment. During World War II, much defense work was done involving electronic development and research. But no advantage was taken of new construction with accelerated depreciation, and other factors, and taxes were high. As a result in 1946, at the end of the war, the company was not in as good competitive or financial shape as when it started the war.

In 1946 a substantial portion of the working capital of the company was expended on a modern radio and television broadcasting station, leaving the finances in weak position from the standpoint of carrying inventory and expanding profitable productive facilities. It became necessary to raise additional capital through the sale of 67,731 shares 4% $50 par convertible preferred stock.

In April, 1949, both the then incumbent Chairman of the Board and President retired, and the board called in as President Mr. Robert C. Tait, a native of Rochester, who had achieved outstanding success as Vice-President of the Mellon National Bank in Pittsburgh. Mr. Tait assumed office in April, 1949 and earnestly and efficiently set about the task of building a sound management team to effect the restoration of Stromberg-Carlson to a preeminent position in a rapidly changing industry now becoming known as electronics, possibly the greatest growth industry of all.

In his four years as chief executive, Mr. Tait has amply demonstrated his capacity as a leader of singular quality. Stromberg-Carlson is emerging from a morass of ineptness to a high degree of efficiency and high morale. His management, in its secondary and tertiary echelons as well as primary, is on the threshold of recognition for its ability, hard work, enthusiasm, courage and vision, these keynotes to success.

Therefore, I have tried to bring out some of the more readily recognizable accomplishments and attributes of a management which, as I previously stressed, is the cardinal attraction in any industrial investment. Let us now inquire into the financial status of Stromberg-Carlson and into its various operations—these being the supporting factors in arriving at my above indicated conclusions. The company has four major divisions. All are operating profitably and three of these divisions are producing a substantial volume of electronic and communication equipment for the military service in addition to their normal civilian production. A substantial proportion of this government volume is of a long-range variety and considered as practically non-cancelable.

At present government sales are possibly as much as half of Stromberg's aggregate volume. A reasonable profit is derived from this business. Included in this work are such standard products as telephone equipment, radar sets, transmitters, direction finders, sound systems and amplifiers, and various types of electronic equipment for all of the services. Defense order backlog is large and should run into 1955.

The telephone division last year established a new high as the volume exceeded those of the previous two years which had also achieved record levels. Included in this division are such outstanding products as the XY dial switching systems, manual switchboards, telephone instruments and similar equipment. Customers of

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SEC's Revised Regulation 'A' Flouts Congressional Edict

SEC thwarts Congressional mandate on "Schedule A" Security Offerings of Small Business Corporations. New rule imposing costly prospectus requirements, including financial data, will hinder flotation of small issues and increase expenses of small business in raising capital. Legislative relief and abolition of SEC advocated.

Well, the Securities and Exchange Commission as it is now constituted can always be counted upon to throw a spanner into the works, and it has done so by actually adopting revised rules dealing with "Regulation A" public offerings of $300,000, or less, of small business enterprises.

In the ceaseless hunt for the extension and enlargement of its powers, the Securities and Exchange Commission, through rule making, has made many a blunder, and this last one, which in our opinion thwarts the will of Congress, is no exception.

Let us examine it in the light of the knowledge that in exempting issues of $300,000 from registration under the Securities Act, it was intended by Congress that such issues find a simple, quick, ready and inexpensive access to our capital markets.

What, if anything, does this new revised regulation do to accomplish those purposes?

Heretofore, there was a five-day waiting period after the filing of a mere letter of notification, upon the expiration of which the securities could be offered to the public. That period has now been increased by 100% and becomes ten days after the filing of a letter of notification and a prospectus or offering circular.

For the first time, the filing of a prospectus or offering circular in connection with issues of $300,000 or less has been made mandatory.

No securities may now be sold under this Regulation unless such an offering circular is given to the person to whom the securities are sold.

The new rule in considerable detail prescribes the contents of the offering circular and, when we consider that heretofore those particular issues have been in many instances put out by newly organized or infant companies, the financial data now made mandatory by the Commission for the first time in connection with these small offerings is striking and startling.

Thus the issuer must attach a statement of its financial condition as of a date within 90 days prior to filing the letter of notification, and this statement must also set forth "its income, expenses and charges in surplus, or receipts and disbursements as appropriate, for a period of at least two full fiscal years prior to the date of the statement of financial condition, and for a period between the close of the last full fiscal year and the date of such statement."

This sounds involved and is involved and was never heretofore required by statute or SEC rules. The gathering of such data where it exists must prove time consuming and costly. It will do nothing to facilitate the quick marketing of small issues. It will, in this respect, make that approach nearer to full registration where the cumbersome prospectus is a stupid product, little read and less understood by the investor and used mainly as a protection to the issuer and to the underwriter.

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Articles and News

* See article "Canada and the Security Analyst" on page 14.
† Column not available this week.

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Look for Downward Readjustment in 1954

By CHARLES J. COLLINS

Chairman, Investment Counsel, Inc.
President, Investment Letters, Inc., Detroit, Mich.

Mr. Collins analyzes present situation and outlook for business, and concludes on basis of evident contractive forces it would seem likely that downward readjustment in business will be witnessed during 1954. Holds shift may be of moderate proportions, and in due course, inaugurate another forward movement in business. Says, if we view market from a standpoint of nation's normal decade-to-decade growth, stock prices are not too high.

Business, supported by large expenditures for rearmament, construction, capital equipment and consumer durable goods, is flourishing. But, unlike other booms in the nation's history, sentiment is not sanguine as to the future. Instead, the press, economists and industrialists throughout the country are debating the next depression, or recession, or readjustment, or whatever one wishes to call it.

Charles J. Collins

This is a healthy sign. Indeed, it has been this element of caution, first nationally expressed in the stock market decline of 1946 just as we were getting into the biggest period of peacetime business the country has ever known, and subsequently kept alive throughout following years by the entire business community, that has kept the postwar boom from developing the large speculative excess that generally breed major deflation.

At the same time, there are elements of truth in the current viewpoint and investors, as well as business men, would be ill-advised if they refused to give attention to the present situation. What are the factors of weakness and the factors of strength currently, or prospectively, in operation, and what do they augur as concerns the level of production and the security markets?

The Business Outlook

For seven or more years, except for the mild inventory readjustment of 1949, we have enjoyed a large measure of prosperity—one of the longest booms in the nation's history. Chief stimulants to the period have been the war accumulated backlog of demand for consumer goods, the government expenditures for military purposes, a high rate of family formation, and a large expansion in private debt. Out of these factors has developed a high level of durable goods activity, with accompanying large employment.

So far as the year 1953 is concerned, we envisaged a peak of activity in the first half, a plateau for some months beyond, with possibility of decline getting under way in the last quarter. Factors making for late-year decline would be beginning of letdown in business spending for plant and equipment, for dwellings, for consumer purchase of durable goods, and for inventory build-up. While Federal expenditure for armaments are expected to hold up, and be abetted by increasing Federal, state and municipal expenditures for other purposes, an armistice in Korea could bring about moderate reduction in immediate defense outlays, also.

Looking beyond the present year, however, or at the broader influences behind business, here are the elements, both buoyant and delationary, in the picture. On the adverse side, as one factor, is the declining rate of family formation and hence anticipated long-range decline in residential construction with all its ramifications through other industries. Census Bureau estimates show an average family formation for the years 1954 to 1960 running at 715,000 to 608,000, which compares with an average of 1,244,000 for the years 1947-49, 1,010,000 in 1950, and 922,000 in 1951.

Again, both consumer and business debt is regarded as quite high. While there is little question as to the ability of these two groups to carry the load, it seems improbable that debt increase over the next several years will equal the rate or supply the impetus to production growing out of the debt expansion during the postwar period to date. Two other factors of dwindling, as against their previously buoyant influence, are (1) inventories, now regarded as at a peak, and (2) farm income, which receded nearly 8% in 1952 and will probably be lower again in 1953. As world production of agricultural products becomes restored, our exports drop and price weakness in some of our main agricultural products results.

For the one to two years ahead, we recognize some possible drop in Federal defense expenditures, but not so material a drop as to have a major adverse bearing on the economy as a whole. Under a continuation of the cold war, we must continue to rearm. If, on the other hand, negotiations get under way toward peace, we shall still continue under an armed truce and thus cannot neglect our defense while peace, over a several-year period, is being organized. But the period of heavy outlay by industry for plant and equipment to implement the defense program is nearing an end and downturn in this important support to general business is also to be anticipated.

Summary

On the basis of the contractive forces discussed above, it would seem likely that downward readjustment in business will be witnessed during 1954. Its depth will depend partly on influences not yet assessable, such as consumer and business psychology and pending developments in the field of foreign politics and foreign finance. There are factors of support, present and prospective, however, that could confine the contraction to moderate proportions and, in due course, inaugurate another forward movement in business.

First is the character of the National Administration, the viewpoint and actions of which since taking office has done much to restore underlying business confidence as to the integrity of the dollar and as to fair treatment from Washington. The profit motive is once more being recognized as a desirable feature of the economy. Second is the huge need for municipal improvement (schools, roadways, hospitals, etc.) that would welcome a slack period for getting under way. Third are the large savings in the hands of individuals that would ease a period of rising unemployment and furnish a purchasing reservoir once prices declined sufficiently. Fourth is the large increment to consumer and business income, and hence to purchasing power, that could be supplied by tax reduction. Fifth, we must not overlook the great technological improvement growing out of the rearmament period and hence the stimulus for capital expenditure by business to get new and improved consumer devices into production once defense output has eased somewhat. Lastly, just as the Federal Reserve Board has tightened credit over recent months, any business setback would undoubtedly lead to reversal of this policy, with the concomitant benefits eventually developing out of easy money.

Altogether, it is our expectation that business contraction will be witnessed during 1954. We assume, however, that it will fall short of what we have come to term a depression, such as 1920-21 and 1929-32, and probably will be confined within limits somewhere between the 1937-38 and 1948-49 recessions.

Outlook for Securities

Bonds—Treasury refunding operations have developed a somewhat higher interest rate structure in long maturities and further refundings this year may lead to further firming. Business contraction toward the end of the year or in 1954, however, would sooner or later, ease the credit situation and could then contribute to a lowering of rates. Considering the present rather small differential between the long and short-term rates, it still seems advisable to continue the bulk of funds in short and medium maturities.

Stocks—In its long advance from the 1942 base, of which the 1949-53 rise is the most recent phase, the stock market has refused to adjust to the inflation that has been woven into other segments of the economy. If stocks were now discounting current boom earnings, yields and asset values at the average ratios prevailing at the 1929, 1937, and 1946 peaks, the Dow-Jones industrial average would not be at 275, as at present, but at 430. Since economic and other considerations suggest that a large measure of the war inflation will remain as a permanent part of our price structure, stocks, from the long-range, or three to five-year approach, would still seem underpriced and offering the best values among various American equities. Over the long-term stocks should sell appreciably higher.

If inflation be ignored and we view the market from a standpoint of the nation's normal decade-to-decade growth, neither do stock prices then appear unduly high. This is apparent from a study where a channel is shown covering the past 56 years of stock market history. This channel rises at a rate of around 3% annually, or about the rate at which the nation's productivity has risen over that interval. To reach the top to this channel, as it has done on many past occasions when the country was enjoying, as now, a prosperous business period, the Dow-Jones industrial average would currently have to sell at 320 to 330.

Because of the above considerations and the absence, so far, of the reckless public speculation that has generally preceded a sustained or major bear market, we have continued to advocate a substantial position in common stocks of the growth category. At the same time, we have not overlooked the fact that when a market, during the course of a business boom, has advanced for some time and has reached elevated levels, as has this one, it is necessarily vulnerable to sharp intermediate setback. Under such conditions, it is always sound practice for investors to reduce stock holdings and maintain a portion of their funds in bonds as insurance against inevitable and sometimes unpredictable business and stock market setback. We have so counseled, the amount of reserves to depend, of course, on considerations, such as income need and outside business resources, peculiar to the individual account. For those whose accounts are not under personal supervision, these reserves, as a rule of thumb, might be currently fixed at from 35% to 50%. Should the market, over the months ahead, abandon its present cautious attitude and register further material advance, additional selling would then seem in order.

Phila. Mun. Club Elects Officers

PHILADELPHIA, Pa.—The Municipal Bond Club of Philadelphia announced the election of Ellwood S. Robinson of Aspden, Robinson

Ellwood S. Robinson R. M. Ergood, Jr.

& Co. as President. Russell M. Ergood of Stroud & Co., Inc. was elected Vice-President; Willard S. Boothby, Jr. of Eastman, Dillon & Co., Secretary; and Joseph E. Carson of Rambo, Close & Kerner Inc., Treasurer.

The following were elected to the Board of Governors: Walter L. Schumann of Hemphill, Noyes & Co.; Russell S. Schaffer of Schaffer, Necker & Co.; R. V. Wehrheim of The Philadelphia National Bank, and David B. Sharp, Jr. of Harrison & Co.

Union Securities Branch

WEST HEMPSTEAD, N. Y. — Union Securities Corporation has opened a branch office at 242 Windsor Lane under the direction of William Renner.

With George Patten

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Edwin Todd is with George Patten Investment Company, American Bank Building.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the period ended on Wednesday of last week held close to the near-record level of past weeks. Further, it continued to be discernibly higher than the year-ago level and about 3% under the all-time peak reached in the last quarter of 1943.

Slight cutbacks were reported by some producers of consumer durables but many observers anticipated little let down in total output in the months to come.

In the first quarter of 1953 United States output was in near-balance with demand, the United States Department of Commerce disclosed. The flow of goods to final use showed an increase of $8,500,000,000 from the fourth quarter of 1952. Most of the rise was in civilian products. Merchandise placed in inventories during the first three months dipped to an annual rate of less than $2,000,000,000, compared with $8,000,000,000 in the last quarter of 1952. Total output of goods and services in the initial 1953 quarter was at a yearly rate of $361,000,000,000, up $2,000,000,000 from the 1952 fourth period, and $21,300,000,000 higher than the year-ago first quarter.

Employed workers totaled 61,228,000 in mid-April, or about the same as a month earlier, but one million above a year ago, according to the Department of Commerce. Employment has never been at a higher level in April, Secretary Weeks said, and unemployment was at a postwar minimum for the month.

The steel industry will undoubtedly set a new production record this year—if it can get past the wage hurdle without a strike, declares "The Iron Age," national metalworking weekly, the current week. So far this year production has averaged just about 100% of rated capacity. On an annual basis this rate would yield about 117.5 million net tons of raw steel.

Few expect the industry will be called upon to operate at capacity throughout the year, although balance between supply and demand is as elusive as a butterfly, this trade paper asserts.

The prediction of well over 110 million tons of steel production this year is based on assumptions that the industry will be able to avoid a strike, and that raw materials will remain in good supply as they are now. It also reflects belief that demand will still be at high level during the third quarter and that the market won't come apart at the seams (though it will probably decline moderately in the fourth quarter), continues this trade journal.

Steel producers historically take a conservative view of their order books. Some of them have learned the hard way that bona fide orders are frequently cancelled once the word gets around that steel can be delivered on short notice. That's one of the reasons most mills screen their orders carefully in an effort to make sure they are based on real needs, "The Iron Age" adds.

Regardless of what happens later this year, current steel demand is as strong as it has been for many months.

The hottest and most spectacular market centers around Detroit where auto makers are pulling out all stops in a great production battle. None of the Big Three has been able to obtain promises of as much steel as it thinks it will need in the second half. At least one of these pacesetters of demand plans to boost its production in the third quarter, this trade authority points out.

As had been predicted by "The Iron Age," most steel producers have now raised extra charges on nearly all major steel products. Although steel consumers could not be expected to applaud these cost increases, there have not been many squawks. Manufacturers contacted by "The Iron Age" in several steel using areas generally indicated they would pass the higher costs on to the consumer.

A reduction of output and severe unemployment faces the automotive industry during the next few weeks, states "Ward's Automotive Reports."

It will be due to labor unrest and supplier strikes, the agency said. Last week, however, car output remained high with 142,566 completions, compared with 140,405 in the prior week and 94,579 in the year ago week.

In the year to date the industry has turned out 2,433,271 autos,

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Cites Realty Bond Financing Need and Hits SEC Restrictions

George W. Warnecke, New York real estate specialist, says move in this direction may be most important development in real estate field during next few years. Scores rigid SEC registration requirements and notes sentiment growing for relaxation of such requirements.

George W. Warnecke of New York City, national building financier, predicts a revival of real estate bond construction financing, or another method like it, is likely to be the most important development in the real estate field in the next few years.

George W. Warnecke

Mr. Warnecke, a veteran real estate expert, who recalls the years before 1929 when one-fifth of new construction was financed by bond issues as compared to 2% last year, said modern construction requirements may soon exceed the resources of conventional investors and builders will then have to seek additional funds from new sources.

Pointing out that yearly construction expenditures are now rising beyond $26 billion annually while increases in mortgage financing as reported recently by the Bankers Trust Company are dropping below $9,000,000,000, he said "real estate bond issues or a similar method would fill the bill" for broadening the country's real estate investment base.

Mr. Warnecke called the issue of small-denomination negotiable real estate securities a "logical step" when conventional investment sources are exhausted. Additional funds can only become available by accepting smaller amounts from smaller investors and pooling them into big funds, he stated.

Last year a combined total of approximately $431,000,000 worth of real estate and financial bonds were issued and registered with the Securities and Exchange Commission. In 1943 the comparable amount was only $24,000,000.

These figures, Mr. Warnecke observed, do not give a completely accurate picture of the favorable bond trend because (1) rigid registration requirements imposed by the Securities and Exchange Commission hamstring the initiative of potential bond issuers, and (2) published statistical data do not include real estate bond issues under $300,000 which are not subject to registration.

He noted a growing sentiment for revising or relaxing registration requirements which, he said, may lead to appropriate legislative action in the not too distant future.

Daniel H. McKellar With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Daniel H. McKellar has become associated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. McKellar who has been in the investment business for many years has recently been with Hemphill, Noyes & Co. and Shields & Co.

International Trade Conference—Western Style

By A. WILFRED MAY

Industrialists at Vienna parley highlight intra-West divisions on East-West trade, tariff reduction, convertibility and private foreign investment.

VIENNA, May 20—Once again a non-Russian International Conference highlights the plethora of issues dividing the "have" United States from our "have not" allies. This Congress in Vienna of 1,000 top businessmen and economists from 50 nations, including 60 American industrialists led by Warren Lee Pierson, Chairman of Trans World Airlines, must strike the observer not only with the intra-West split on economic issues, but with the interaction of the economic with the burning political factors. It confirms the attribution elsewhere of the flaring London - Paris - Washington tempers to economically rooted gripes.

A. Wilfred May

Here on the Danube's Vienna, one of the West's three worldwide physical points of contact with the Soviet, it is fitting that the future of East-West trade is a burning issue. Impatience of the NATO countries with the Battle Act's restraints, their confusion over classification of strategic and near-strategic materials, with their worries over losing both their Western and Eastern markets accentuated by depression expectations; all make it certain that extension of Moscow's current peace offensive to the economic front will demolish the West's already crumbling resistance to trading with the Soviet.

It is significant that the Kremlin has a 40-member trade delegation in Vienna, two of whom have been crashing the gate of this conference.

The three other main questions before this parley are tariff reduction, convertibility, and promotion of private investment.

In plumping for trade versus aid via lowering of tariff barriers the U. S. delegation here goes along whole hog with the other countries. But all excepting the blind and illiterate must know that American home politics puts these pious hopes in a vacuum. On the very day that resolutions are being passed here for a 20% tariff reduction the U. S. Congress is holding hearings on the Simpson Bill for ending of reciprocal trade agreements and aiming at tariff rises.

On currency convertibility, the Western split from the U. S. will occur in our allies plugging for a supporting kind of stabilization fund of $5 billion or so. While some Americans here feel that a Congressional appropriation technically would be unnecessary, minimum political realism makes it certain that Congress cannot and will not be circumvented for such a potential "down the drain" operation.

In opposing the proposal for promoting private foreign investment via the World Bank sponsored International Finance Corporation to buy equity capital (launched at Mexico City September last) does the United States delegation here uniquely accord with the prevalent American attitude at home. They frown on it as a socializing diversion of public funds for private use, and as another burden on the U. S. taxpayer particularly out of order under the present climate in the would-be receiving countries. Australia is with us in opposing the idea. England is lukewarm, particularly remembering her groundnut and similar fiascos, and of course India is all for it.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Ernest N. Beard, Jr. has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 107 West Gaston Street.

The Problem of Surplus Farm Production

By HOWARD H. GORDON*
Administrator, Production and Marketing Administration
U. S. Department of Agriculture

Pointing out high production goals, backed by high-level price supports, have stimulated a series of big crops, Agriculture Department official holds government may be forced to clamp mandatory controls to hold down mounting surpluses of certain farm commodities. Says this may have to be done until sounder and more flexible ways of insuring agricultural stability are worked out. Sees threat of heavy agricultural surpluses breaking down present price support program.

This is a good time to discuss the agricultural situation. We are facing some very real problems which must be solved in the near future. Government inventory and loan holdings of storable price-support commodities are building up rapidly—too rapidly for comfort. Agricultural production has in general caught up with the post - Korea demand, and in some important cases it has already run ahead of it. Current needs have been met, reserves have been rebuilt, and we are once again up against the problem of surpluses.

Howard H. Gordon

This Administration found this problem on its doorstep when it took office. High production goals, backed by high level price supports, had stimulated a series of big crops. Coupled with this was a sharp falling off in exports of some of our most important crops, and a leveling out of domestic demand. The inevitable result was surplus, with the threat of more to come.

The Problem of Big Supplies

The question for us now, of course, is what to do about the situation. How can we handle the big supplies on hand, and how can we keep them from mounting still higher.

A return of production and marketing controls may of course be one answer. Nobody likes this type of regimentation, but there may be little we can do about it until there is an opportunity to work out sounder and more flexible ways of insuring agricultural stability. With rigid high-level price supports, there isn't much chance of avoiding production controls unless farm producers are able to make the necessary adjustments voluntarily. The absence of such controls, under the conditions we face now, could result in building surpluses so big that they would eventually break down the whole program of agricultural security. As a matter of fact, present legislation definitely provides for allotments and quotas when supplies reach specified levels in relation to demand.

The Secretary of Agriculture has already asked Congress for authority to start getting ready now for possible acreage allotments and marketing quotas on the 1954 crops of cotton and wheat. The final decision has not yet been made with regard to either crop, and it will not be until the latest possible information is available. However, we feel the chances that controls will be necessary are strong enough so that we must start the preliminary work immediately.

A Billion Dollars of Commodities Held by CCC

The fact that we must look forward to these controls, no matter how distasteful they may be, is an indication of the over-all problem. The Commodity Credit Corporation now holds more than a billion dollars worth of commodities in its inventory. In addition, it has advanced another $2 billion in loans on storable commodities under the price support programs—and the total of these obligations will go higher in the months ahead. The total carry-over of old wheat and cotton and corn, held by both government and private industry when the new crops start to come in, will be big this year—and it can go higher in the years ahead if effective measures are not taken to stabilize supply-demand relationships.

The threat of burdensome surpluses is not new. It has plagued agriculture for many years. But the seriousness of the problem immediately before us points up the fact that our farm programs are still far from adequate. The present Administration is committed to the task of developing sounder policies and programs—to reduce waste and cost, to minimize controls, and to open the way for the greatest possible dependence upon individual initiative and private enterprise in meeting our agriculture problems.

There are many new people in administrative positions in Washington. You naturally want to know something of our thinking with regard to farm programs and services, and the relationships between government and private enterprise in doing the things which must be done. Without attempting to outline any new program, I will try to give you a little idea of our policy approach.

In the first place, there can be no question about the need to keep agriculture strong and prosperous. This is important not only for farmers and ranchers themselves, but also for all the rest of the national economy. You who buy, and process, and sell agricultural commodities know this well. Your welfare depends very directly upon the welfare of farm producers. If you are to continue to prosper, they must continue to produce in adequate volume and to sell at prices which will protect their buying power as good customers. In greater or less degree this holds true for other segments of industry. There is no such thing as a separate farm problem. The interrelationships are so direct and positive that agricultural welfare is obviously basic in national welfare.

Will Not Abandon Sound Farm Program

Realizing the vital importance of a prosperous agriculture, this Administration has no idea of discarding any sound and beneficial programs and services. Rather, it is our intention to build on the experience of the past in developing better and more effective programs. We feel that the present programs can and must be improved. There can be no room for another potato fiasco. We must find ways to avoid incentives for increased production of commodities already in surplus. Certainly there is something better than a plan which forces the government to buy 150 million pounds of butter in less than six months—as we have had to do this winter. But the needed changes will be made in a progressive, constructive way. Your agricultural officials in Washington most surely will not initiate any stops which might leave agriculture without necessary protections and services.

Wants Fullest Use of Private Enterprise in Agriculture

A guiding principle in developing sounder and more efficient operations will be the fullest possible use of private enterprise in agriculture. This means keeping the government out of any field of activity which can and will be handled efficiently by others. We want to reduce government operations to the minimum, doing only those things which producers—and the whole agricultural industry — cannot well do for themselves. We have great confidence in the judgment and the ability of private enterprise, whether it be on a single farm or in the great processing and distributive trades. Given the opportunity and right encouragement, we think they can handle many of the problems which have not been solved by public agencies. And we know we will be on sounder ground when agriculture assumes the major responsibility for keeping its own house in order, with only the necessary support and service from the government.

In saying this, however, I want to call attention to the obvious fact that this very policy places a direct and major responsibility on private enterprise. Agriculture is a very complex business. It is subject to more variable factors than most other industries, including uncertainties of the weather. There is an unusually quick response to changes in the supply-demand situation, and to general economic conditions. Farmers are not in position to pull a switch and cut production schedules in the middle of a season, just because the demand outlook has changed.

My point is that it takes very sound operations to maintain the degree of agricultural stability which is necessary to assure continued production at fair prices. To the extent that private industry can and will develop the needed machinery and services to stabilize the handling and marketing of commodities—and farmers can and will make the necessary voluntary adjustments to help maintain a reasonable balance between supply and demand —then to that extent it will be possible to keep government out of the operational picture.

The Storage Problem

Storage facilities offer a good illustration of this point. Lack of available storage when big crops come in on top of heavy reserves can be very serious, not only for farmers but for the entire agricultural industry. It can be serious for the government when, under present programs, it may be obliged to take delivery on millions of bushels of loan grain. There have been bad pinches in the past. In fact, the Commodity Credit Corporation now owns about 550 million bushels capacity of storage bins—bought to meet some of these emergencies. We would prefer not to have to use these bins, except in very special cases. We would much rather handle our storage with the warehouse industry, through normal channels. The degree to which we can do this will of course depend on the sort of program industry

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*An address by Mr. Gordon at the Convention of the Panhandle Grain and Feed Dealers' Association, Amarillo, Texas, May 4, 1953.

Outlook for Appliance And Television Industries

By ROSS D. SIRAGUSA*
President, Admiral Corporation, Chicago, Ill.

Prominent television executive holds question of what is ahead for business boils down to whether or not we can continue to sell all the civilian goods that industry can produce. Says problem can be solved, though there will be increasingly strong competition at all levels of business and weak merchandizers will find the going tough. Foresees selling as greatest task in appliance and television industries, and urges caution in forcing production of color television before satisfactory picture tube can be developed. Expresses belief higher costs of color television will be absorbed by advertisers. Decries fear of television saturation.

The subject assigned to me tonight is "The Outlook for the Appliance and Television Industries." I shall treat it in broad rather than detailed terms. Long experience has taught me that to try to predict what the level of our business will be 60 days or six months in the future is futile. It is much more useful to estimate the general business climate in which we will be operating and then prepare to make the most of what seems to be ahead.

Ross D. Siragusa

The underlying fact that must guide all of our plans and actions today is that the era of shortages and a war-supported economy which began in 1940 is over. Three years ago when war broke out in Korea, this country set out to create a dual economy which would permanently provide for a large defense establishment and also produce an abundance of civilian goods. That goal has been reached. Industry has been expanded to meet annual defense requirements of $40 to $50 billion, and at the same time turn out civilian products in a volume at least equalling the 1950 highs.

Evidence of our success is all around us. The pipelines, the warehouses and the stores of the nation are fully stocked with everything from nylons to farm machinery. Industry is practically free of government controls. The buyer today has complete freedom of choice in the marketplace; he can choose between kinds of products and he can choose between brands. As you are no doubt keenly aware, he can also bargain about price.

I expect this situation to continue whether the fighting in Korea ends or not, or whether the military program is increased or decreased moderately. Only all-out war could bring shortages back. And no one, so far as I know, is now predicting large scale war in the near future. On the other hand, while the defense program probably will be cutback somewhat, I know of no one who believes it should be or will be severely curbed.

So the question of what is ahead for business boils down to whether or not we can continue to sell all of the civilian goods industry can now produce. For the longer term, I believe we can. Our rapidly rising population and the development of new products and new wants should mean full utilization of industry's expanded capacity. Over the short-term, however, some slackening may occur in the forced draft level of operations at which we have been operating almost continuously since 1940. After 12 years of a military or semi-military economy, a period of adjustment is to be expected. We can have adjustment, however, without necessarily having a depression or even a serious recession.

What I foresee is increasingly strong competition at all levels of business. Inefficient manufacturers and weak merchandisers will find the going tough. Although some of us may have forgotten it during the era of shortages, wide open competition is normal and healthy for American business.

Selling Will Be Biggest Adjustment

The biggest adjustment for the appliance and television industries —as in most industries—will be in selling. We will have to intensify every aspect of selling and put a great deal more ingenuity into it. Since 1940, merchandising in our industry has not kept pace with a number of other lines—particularly in soft goods where competition has been intense since 1947.

You men who are operating successfully in New York, which is the most competitive market in the world, undoubtedly are better prepared than dealers elsewhere. Surveys show, however, that in general, retailing in appliances and TV is weak. With few exceptions, progress has been negligible since 1940. Stores have not been kept modern. There has been no development in appliance and television retailing comparable to the modern postwar supermarket, the super gasoline station or the up-to-date soft goods specialty shop.

The majority of TV and appliance stores throughout the country are unattractive, poorly arranged and badly lighted. Many of them look like glorified repair shops. As a rule, floor men are so inadequately trained they hardly qualify as good order takers let alone able salesmen. Harsh as this indictment may seem, it is deserved far more often than not in the industry today.

I cite these facts not to be unpleasant but because they constitute a definite handicap now that unlimited competition is back and back to stay. To avoid serious trouble we are going to have to roll up our selves, advertise, promote and ring doorbells with all the force the industry used in the 1930's.

There is no alternative if we are to match the competition we are facing. Take the automobile industry as an example. Until early this year automobile production was held by government control to approximately four and a quarter million units a year. With controls off, production has jumped to an annual rate of seven million cars, compared with a current rate of sales of 5½ million units. The automobile men,

Continued on page 52

*An address by Mr. Siragusa before the Television Dinner of the United Jewish Appeal, New York City, May 5, 1953.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Cement Stocks—Bulletin—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also in the same bulletin are data on **General American Transportation, Oak Minufacturing Co., George W. Borg Corp., Stone Container Corp., Intertional Telephone & Telegraph, Cluett, Peabody** and **Lone Star Steel.**

Common Stock Holdings of Leading Life Insurance Companies—Circular—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Cycles—Reports projecting into the future newly discovered cycles in natural science, the stock market, commodity prices, real estate activity, sales, and business—membership in the foundation, which includes 10 issues of "Cycles," a 46-year cyclical projection chart and a choice of one of three 1952 issues of "Cycles," $10.00—Department C-5-21, Foundation for the Study of Cycles, 9 East 77th Street, New York 21, N. Y.

Fire & Casualty Insurance Stocks—1952 earnings comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Hotel Operations in 1952 — Operating ratios of 100 hotels located in 51 cities—Study—Horwath & Horwath, 41 East 42nd Street, New York 17, N. Y.

Is It Time to Buy Long-Term Bonds?—Bulletin—T. Rowe Price & Associates, Inc., Mathieson Building, Baltimore 2, Md.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Portfolio Management—Package selections—in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a brief discussion of **Atlas Corporation.**

Railroad Preferred Stocks—Review with particular reference to **Denver & Rio Grande, Western; Gulf, Mobile & Ohio; St. Louis-San Francisco; Southern Railway** and **Wabash Railroad**—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Eastern Utilities Associates.**

Tax Exempt Obligations—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Whiskey—Booklet telling the story of whiskey-making—and things which should be known when buying whiskey — free where state laws permit—Dept. 17, Schenley Distillers, Inc., P. O. Box 331, New York 46, N. Y.

* * *

Asbestos Corporation Limited—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

British Columbia Forest Products, Limited—Analysis—Golkin & Co., 61 Broadway, New York 6, N. Y.

Chicago Corporation—Report—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Chicago, Milwaukee, St. Paul & Pacific Railroad — Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Middle States Petroleum Corp.,** an analysis of **New York Central Railroad Company** (bulletin No. 127), and a study of **Railroad Earnings** (bulletin No. 126).

Citizens Utilities Co.—Memorandum—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Columbia Broadcasting System, Inc.—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y. Also available is an analysis of **Simpson, Limited.**

Cone Mills Corp.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **MacMillan Co.**

Continental Baking Company—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Cook Electric Company—Analysis—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Delaware Power & Light Company—Bulletin—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **General Gas Corp.**

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Charles M. Zingraf

The Security Traders Association of New York announced the election of Charles M. Zingraf, of Laurence M. Marks & Co., to its board of directors. Mr. Zingraf will serve through Dec. 31, 1954, to complete the unexpired term of John F. McLaughlin, of McLaughlin, Reuss & Co., who has retired from the Association's board.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of May 14, 1953 is as follows:

Team—	Points
Hunter (Capt.), Klein, Weissman, Murphy, Searight	53
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	50
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	48½
Bean (Capt.), Frankel, Strauss, Nieman, Bass Krassowich	46½
Growney (Capt.), Craig, Fredericks, Bies, McGovern	45
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	45
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	44
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	43½
Goodman (Capt.), Smith, Valentine, Meyers, Farrell, Brown	40
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	33
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Guff	31½
Leone (Capt.) Greenberg, Tisch, Werkmeister, Leinhard, Corby	31

200 Point Club		5 Point Club
George Leone	213	Duke Hunter
Sam Gronick	202	Art Burian
		Hank Serlen

This is our final week and the second half contest is very close and hot. Let us make it a 100% night and all come out to bowl and root for your favorite team.

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The San Francisco Security Traders Association will hold its annual spring party at the El Rancho Hotel in Sacramento June 5, 6 and 7.

Collins L. Macrae, Jr

A chartered Greyhound Bus leaves the front entrance of the Russ Building at 2:30 p.m. on June 5, and 8:30 a.m. on the morning of June 6. The June 6 bus will also stop at the Greyhound Bus Depot, 2103 San Pablo Avenue, Oakland, to pick up East Bay residents, at 9:00 a.m.

There is a $10 assessment for all attending the party. Friday night accommodations and dinner to be paid by member (rooms $4 per person, two to a room). Transportation in buses, Saturday and Sunday schedule costs absorbed by the club. The Entertainment Committee, Collins Macrae, Jr., Wulf, Hansen & Co., Chairman, promises a full schedule of entertainment at the outing.

The San Francisco Association also announces that if any members wish to attend the Los Angeles Security Traders' party at Lake Arrowhear on June 19, 20 and 21, they should contact Earl Thomas, Dean Witter & Co., President of the San Francisco Association.

COMING EVENTS

In Investment Field

May 22, 1953 (Chicago, Ill.)
Annual field day of the Exempters at Nordic Hills Country Club.

May 26, 1953 (New York City)
Cashiers Division of Association of Stock Exchange Firms fifth annual Walter L. Wright Memorial Golf Tournament at the Leewood Golf Club.

May 29, 1953 (Los Angeles, Calif.)
Bond Club of Los Angeles annual field day at the Wilshire Country Club.

June 1, 1953 (Chicago, Ill.)
Midwest Stock Exchange Annual Election.

June 2, 1953 (Detroit, Mich.)
Bond Club of Detroit annual summer golf party at the Meadowbrook Country Club.

June 2, 1953 (St. Louis, Mo.)
Illinois Bankers Association 62nd Convention at the Hotel Jefferson.

June 3-4, 1953 (Minneapolis-St. Paul, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 4-5, 1953 (Boston, Mass.)
Boston Security Analysts Society annual meeting and New England Regional meeting at the Harvard Club, June 4, followed by field trips in the Providence area June 5.

June 5, 1953 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

June 5, 1953 (Chicago, Ill.)
Bond Club of Chicago 40th annual field day at the Knollwood Club, Lake Forest.

June 5, 1953 (New York City)
Bond Club of New York Annual Field Day at Sleepy Hollow Country Club.

June 5-7, 1953 (San Fran., Calif.)
San Francisco Security Traders Association Spring Party.

June 9-12, 1953 (Bigwin, Ontario, Canada)
Investment Dealers' Association of Canada Annual Convention, Bigwin Inn, Lake of Bays District.

June 12, 1953 (New York City)
Municipal Bond Club of New York Annual Field Day at the Westchester Country Club and Beach Club, Rye, N. Y.

June 12, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual summer outing at the Whitemarsh Valley Country Club.

June 16, 1953 (Detroit, Mich.)
Securities Trades Association of Detroit & Michigan summer outing at the Plum Hollow Country Club.

June 19, 1953 (New Jersey)
Bond Club of New Jersey annual field day at Rock Spring Club.

Mason, Moran Men Join Cruttenden Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Roy H. Klute, Edward M. Harkness, George E. Beardsley, Ralph G. Randall, John P. Lavin, James M. Coulter, Willard L. Flint, Henning A. Florin, Howard G. Lindquist, and Andrew C. Stayart have become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. James McIntyre has joined the firm in Joliet, Charles Shafer in Minneapolis and Ewald Klumb in Milwaukee.

All were formerly associated with Mason, Moran & Co., of which Messrs. Klute, Harkness and McIntyre were officers.

Berman, Selonick Co. Formed in Cincinnati

CINCINNATI, Ohio—Morris W. Berman and Stanley E. Selonick have formed Berman, Selonick & Co. with offices in the Carew Tower, as successors to the investment business of Wm. C. Seufferle & Co. Mr. Berman was Manager of the trading department for Wm. C. Seufferle & Co.

E. Wissemeier, Cashier for the predecessor firm, will serve in the same capacity for Berman, Selonick & Co.

Alleghany Corporation— Durable Financial Pyramid

By IRA U. COBLEIGH

"Author of Winning in Wall Street"

A current view of an unusual, and by no means retrogressing, corporate enterprise.

Ira U. Cobleigh

While the pyramids of the Nile Valley remain, albeit somewhat eroded by sands, and the sands of time, to be viewed by tourists today, many of the financial pyramids of the earlier 20th Century have displayed less impressive longevity. Insull Utility Investments, Middle West Utilities Corp., National Public Service Co., Associated Gas & Electric, Tri-Utilities Corporation, to name a few, fell by the wayside, and brought into wide financial disrepute the holding company as a vehicle whereby debentures had become scarcely more than common stock with coupons, and each $10 in the top management company often controlled several hundred in operating assets.

Among such holding companies, Alleghany has survived, almost miraculously, as the exception to prove the rule; but the techniques for this survival and later resurgence were not the brainchildren of the founders.

Let's start at the beginning—37 years ago—when two eager and uninhibited Ohio entrepreneurs, O. P. and M. J. Van Sweringen, having amassed a bankroll in real estate gains, drew a bead on the railway business. In those days the Nickel Plate (New York, Chicago & St. Louis RR.) was no dazzling treasury of transportation; and the Interstate Commerce Commission had ruled that the New York Central, which held all of the then outstanding Nickel Plate common, should get clear of it. Central offered the shares for $8,500,000, and eager buyers for cash were not forthcoming. But our Cleveland freres were fascinated by these Nickel Plate certificates and tendered the $8½ million for same. Only two things seemed to stand in their way—they didn't have $2 million needed as down payment nor the $6½ million to complete the transaction. So what did they do? Borrowed the down payment from a bank, and signed up to pay the balance over a period of years. That gave them time —time to parlay Nickel Plate into, in due course, Toledo & Western, then C & O, Erie, and finally Pere Marquette. In each case common stock bought, became almost immediately the collateral for a new debenture or bank loan; or the portfolio of a new holding company, which issued in turn a fresh batch of common and preferred certificates.

It was apparently a certain inexplicable insatiability that led to the downfall of the Brothers Van Sweringen. You would have thought that the railways listed above, representing operating transportation assets of $1.4 billion, controlled by their final and master pyramid, Alleghany Corporation, would have been enough; particularly when they had drawn off profits of probably above $70 million in a decade, and still held 2,200,000 of Alleghany common—control, that is! But no—it wasn't enough. They wanted Missouri Pacific, too, and hocked the portfolio of Alleghany to buy it, using a peculiarly unwise financial vehicle—a collateral trust bond.

Of course, looking back on it, buying MOP control at the top in 1929 was an elegant form of financial suicide; and in the ensuing five years Alleghany's holdings shrank in the market, like a kite in a calm. By the end of 1936 the Van Sweringen's were all through and the following year a group led by Robert R. Young and Allan P. Kirby (believed to be the largest stockholder in F. W. Woolworth) acquired control and a golden opportunity for the use of corporate ingenuity.

What they bought was the privilege of paying off $78 million of 5% debentures due severally in 1944, 1949 and 1950, and interest of around $3.8 million a year. As a matter of cold hard fact, when Messrs. Young and Kirby latched onto the Alleghany equity they bought a pocketful of dreams, since portfolio value was some 25% shy of the par amount of bonds then outstanding. And the preferred issues, behind the bonds, were busy as squirrels accumulating arrearages. The common was so far under water that snorkel tubes should have been delivered free whenever shares were transferred.

But there was a brighter side. If you owe $1,000 and can get off the hook by paying $500, you can better your position—particularly when you can borrow the $500! Well, somewhere between 1937 and 1943, Alleghany retired $34½ million of its 5% bonds at fancy discounts, importantly by bank loans; and in the summer of 1944 portfolio value of the 704,000 shares of C & O owned had advanced to a point where proceeds from sale of same, laced with a little bank credit (a few millions) knocked out the old bond issue entirely.

From that point on, the technique of market purchase of outstanding securities moved over to the preferred stocks; and retirement of par amounts, plus dividend arrearages on the preferred, exceeded, at face value, $90 million by July 1, 1952. And all purchases and retirements were made at ingratiating discounts.

Since then, and thanks to the favorable markets of the last two years, the total market value of securities owned has surged ahead to over $62 million, the principal holdings being as follows:

107,540 shs. Investors Diversified Services;
298,386 shs. Pittston Co.;
221,500 shs. Marine Midland;
214,234 shs. Industrial Brownhoist Co.;
104,854 shs. Chesapeake & Ohio RR.
211,567 shs. Portsmouth Steel Company;
400,000 shs. Missouri Pacific RR. common;
$10,800,000 Treasury bonds.

In addition to the above there are other bonds, shares, and venture interests owned, worth around $17 million at today's quotes.

Of the big interests in special situations, two items deserve particular comment.

Investors Diversified Services does a variety of things. First, it distributes certificates (through Investor's Syndicate) assuring a certain face amount to individual savers after a period of years. Second, it manages, and underwrites for, three mutual funds—Investors Stock Fund, Investors Selective Fund, and Investors Mutual Inc. Further, it has a couple of companies for providing construction mortgages for homes and suburban shopping centers. Altogether the assets controlled by Investors Diversified Services are now placed at over $1 billion; and per share earnings for the first quarter of 1953 were $6.14. Common of this is, perhaps, the most romantic and horizon laden of Alleghany's holdings. Bought at below $20, current share quotation (over the counter) is now $93.

Missouri Pacific common once thought to be worthless is now quoted at 9½ and the latest proposals have suggested that this common be undisturbed in MOP reorganization, but reduced in stated value from $100 to $10 per share.

Look up the rest of the owned items, and you perceive that some interesting possibilities still exist for substantial advance in market value of Alleghany assets.

If you are not dissuaded by the past vicissitudes of this enterprise, then today you might want to look into the various avenues through which you might become an Alleghany security holder. If you're fairly conservative, the 5s of 1962 at 97 may beckon.

Next, you may view the $50 par, $2.50 prior preferred with some $29 in back dividends. This sells around 86; and there's being offered in exchange for this a new $4 prior preferred, convertible into 16 shares of common.

Then you may want to look at the 5½% series A preferred $100 par with $118 in back dividends, now selling at 142. Next come the 4,567,797 shares of common listed on the N. Y. S. E. (with a book value today of roughly 75c) selling at 4¾. This same stock sold above 8¼ in 1946 when its book value was minus $14.83.

And, finally, for those with plenty of sporting blood in their veins, there's Alleghany Corp. perpetual warrants giving you forever the privilege of buying one share of Alleghany common at $3.75. It is easy to perceive that the actual value of this warrant today (with common at $4.75) is a lowly buck, yet this eternal marker sells at 2⅞ on the American Stock Exchange. Illogical as it may seem, there are three reasons for this "overspin": (1) Nobody ever exercises a perpetual warrant. They seem always to exist in a corporate state of suspended animation; (2) Market action of the warrants usually parallels that of the common; and (3) The warrants, therefore, give you a higher percentage swing—more leverage for less money. It's really like buying the common on a 60% margin, except that you'll never get a margin call!

Altogether you must concede that Alleghany has assembled important shareholdings in an impressive group of profitable enterprises; and these holdings hold out by no means a dull future prospect. Management is shrewd and sagacious; and you have a wide selection for entry into this picture, if examination of the complete facts (only touched upon here) suggests such a course, too.

While the pyramids of Egypt are all suffering from erosion, the Alleghany pyramid seems to improve with age.

Joins Minot, Kendall Providence, R. I.

(Special to THE FINANCIAL CHRONICLE)

Harold B. Simpson is with Minot, Kendall & Co., Inc., Hospital Trust Building.

Powell Associated With J. A. Hogle & Co.

LOS ANGELES, Calif. — J. A. Hogle & Co., Members New York Stock Exchange and other principal exchanges, have announced that H. Kenneth Powell has joined the staff as Los Angeles Stock Exchange Floor Representative.

H. Kenneth Powell

Mr. Powell, past member of the Board of Governors of the Los Angeles Stock Exchange, has been a Specialist and Odd-lot dealer on the local exchange since 1929.

Recent increased activities in local issues made it necessary for J. A. Hogle & Co. to have full time floor representation on the local exchange, according to J. D. Boggs, Manager of the firm's Los Angeles office.

With Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Al F. Richl is connected with Lamson Bros. & Co., City National Bank Building.

Livingston, Williams Adds

CLEVELAND, Ohio — Howard J. Strauch has become affiliated with Livingston, Williams & Co., Hanna Building.

Nuclear Electric Power —Why and How?

By W. L. DAVIDSON*
Director of the Office of Industrial Development
U. S. Atomic Energy Commission

In predicting it would take at least 10 years before atomic energy can be used in competition with other fuels in producing electric power, Atomic Energy Commission expert pictures efforts to obtain this objective. Says it would be a demonstration of "abiding faith in the inherent strength of our free enterprise system" if industrial atomic energy were privately undertaken, with the government merely acting as a regulatory agency. Expresses doubt, however, any private industry, because of risks involved, would undertake this development, but suggests group of electric power companies "having money to do job and the nerve to risk it," might undertake the task.

Nuclear power is usually a difficult topic to bring before a non-nuclear audience with real effectiveness because a goodly fraction of the time normally must be reserved for defining uncommon terms like isotopes, chain reactions, secondary neutrons, breeding gain, and the like, laying the ground work for the subsequent discussion. Fortunately, I have no such problem this morning because the convention issue of your official organ "Public Power" contained an excellent article by Mr. Robert Konikow on the basic facts and issues surrounding nuclear power. Whether the editor, Mr. Radin, planned it this way I do not know, but it fits perfectly into my plans. If you have performed your homework and read this article I can assume you have a pretty fair knowledge concerning the "what" of nuclear power. I can thus devote most of my time to the "why" and the "how." As producers and distributors of electrical energy, and as delegates who will soon be considering a report of your Atomic Power Policy Committee, I am certain these latter questions hold your chief interest at this time. Even so it might be helpful for the few of you whose subscriptions have expired to restate certain conclusions regarding the present status of nuclear power in order to provide a suitable frame of reference for what follows. One might call these statements "Nuclear Power Hypotheses, 1953 Vintage." I put a date on them because I hope and believe they will change with time.

Dr. W. L. Davidson

*An address by Mr. Davidson before the American Public Power Association, Boston, Mass., May 13, 1953.

Nuclear Electric Power a Fact

Nuclear electric power is already fact—not mere fancy. In two separate reactor projects, the AEC has generated token amounts of electricity employing nuclear fuel as a source of heat.

However, these units involve experimental reactors in the broadest sense of the word—the prime purpose behind the construction of these units lay in directions other than power.

To date no nuclear reactor, not even a pilot plant, has been constructed wherein the major objective has been the production of economic electric power.

Furthermore, while there has been considerable research and development work on this general problem, no construction projects of this nature have yet been authorized.

Even if such a project were approved today, the power cost from the plant would probably be more than double the present KWH costs from conventional plants.

It is the consensus of reactor experts, that at least 10 years will elapse before nuclear power will be generally competitive with power generated from coal, oil and gas.

This probably doesn't sound like a very optimistic set of conditions on which to launch a hopeful discussion, nor are they intended to be. However, I do feel they are realistic. One might say in jocular fashion that economic nuclear power is just around the corner—the same corner around which we were told to expect prosperity in 1932. If what I have just said is true—if even optimistically speaking we are 10 years away from economic nuclear power, then you may well ask "Why all the rush?" Perhaps we should have signed up Bill Davidson to talk to our convention in '63, but surely not this year.

A lot of people feel this very way. So in the interests of fairness and objectivity, I would like first to give you their side of the picture arguing against any real attack on the problem of economic nuclear power today. Then we will examine the other side of the coin.

Why Nuclear Power?

In the first place, they aver, all a nuclear reactor will ever do—even 20 or 100 years hence—is supply heat to manufacture steam with which to turn conventional turbo generators. So, in addition to being uneconomic today, nuclear fuel will never radically reduce the cost of electricity to the average customer because as you gentlemen well know only about 20% of the gross income from an electric utility goes to purchase steam. Therefore, why get all "steamed up" about this subject? The "take it easy" school admits there might be just cause to do something if we were running short on coal supplies, but the recent report of the President's Materials Policy Commission, the so-called Paley Commission, asserts with confidence that we will be in good shape for the next 25 years in this respect, even allowing for a continued increase in our electrical energy demands over this interval. One can argue that the technical advances which are sure to be made in our military reactor program, if it be continued at a substantial level will bring us to a point where we can build economic power reactors for civilian use well before our 25 years of grace have expired. Therefore, why entertain thoughts of an expensive development program in the nuclear power field today, simply to gain a few years in achieving economic power from the atom — years which we can apparently well afford in this country. True, other countries are not so fortunate as we in conventional fuels and they may be forced to move in on nuclear power more rapidly in an effort to supply their energy demands. Still, some critics point out, it is not completely clear that such foreign action should necessarily motivate us to follow suit just to keep up with the Joneses.

Another factor that they raise to question the desirability of a strong nuclear power development effort is the possible dilution effect it would have on our military reactor program. If we devoted substantial attention to the development of central station nuclear plants, there might be some concern that our nuclear propelled submarines would progress less rapidly. In addition to the diversion of facilities and personnel there is the diversion of nuclear fuel to be considered. It must be appreciated that our atomic production program for the next several years is based on the urgency of meeting military requirements and thus every gram of fissionable material loaned for peacetime power development during this period would detract somewhat from satisfying those needs.

An additional point on the negative side of the ledger mentioned by some critics is the possible lessening of security which might go hand in hand with a nuclear power development program. If we assume expansion of the program to thousands of additional individuals, such an action might increase the probability that technical information under wraps today might become known to unfriendly competitors.

As a clincher they point out, and rightly so, that such a development program as would be required, whether it be underwritten by the government, private industry, or the American Public Power Association, would cost millions of dollars. This is clearly not a game for ribbon clerks.

Thus rests the case against a strong development program now to harness the energy within nuclei for peacetime power production.

Admittedly, these points taken together constitute a formidable case for the opposition. What arguments can be raised by those favoring early attainment of economic nuclear power which may be sufficiently convincing to call for a vigorous effort today in quest of this goal?

The first point which should be named is the importance of preserving U. S. leadership in every phase of the atomic picture. The U. S. today is recognized as being pre-eminent in practically every category of nuclear science and technology. We believe that our nation has the talent and resources to maintain this lead in most nuclear areas if this be the express will of the people. Some indication that this philosophy does exist in the halls of Congress can be found in a published statement by the Joint Congressional Committee on Atomic Energy, to the effect that it is hoped "never again can it truthfully be said that the reactor of most advanced design and performance operates anywhere but in the United States." Part of this desire is undoubtedly psychological, that is, for purposes of pride and prestige. However, the argument goes deeper than this. Having projected ourselves by a prodigious effort into a position well out front in most sectors of the nuclear spectrum, would it not seem foolish to voluntarily surrender global leadership in one important facet of this field, simply to avoid an incremental expenditure amounting to less than a single percent of the funds already committed to our atomic program.

Another consideration is the fact that in a field as young as this, a science involving the most tremendous forces yet unleashed by man, a technical breakthrough by another nation might put us at a distinct competitive disadvantage either on the field of battle or in channels of international trade. I mentioned earlier that we foresee no technical advance which will give us civilian power from the atom at a price significantly cheaper than that from conventional fuels. However, no one is sufficiently omniscient to guarantee that this is inevitably the case. Should we be willing to set our future nuclear power efforts at a nominal level, considering that this possibility does exist?

I also stated earlier that advances made in our military reactor program ought to lead us to economic civilian nuclear power before 25 years have elapsed. Is is not likely then that this program in itself will maintain us in a position of world leadership *vis-a-vis* other nations in the quest for commercial nuclear power? This is a difficult question to answer, but my feeling is it would be dangerous to rely on such a contingency. The December, 1952 issue of "Nucleonics" magazine reviewed present efforts by nations outside the iron curtain in the development of nuclear power. Great Britain, Canada, France, Holland, Norway, Sweden and Belgium, all have reactor programs under way with useful power the ultimate objective. Italy, Germany, Mexico, Australia and Brazil have expressed an interest in reactors and nuclear power, but plans for implementing such programs are still very indefinite. We find very little in the published literature of Russia's plans or those of her satellites in this field. From the "Nucleonics" review of foreign developments, there is little doubt that the U. S. is still well ahead of all Non-Iron Curtain countries in economic nuclear power technology, excepting possibly Britain. Yet this fact alone does not guarantee that we will be the first nation to demonstrate production of commercial blocks of electric power employing a nuclear source of thermal energy. Foreign nations have a far greater economic incentive than we to tap this new source of power for their own use.

We should not count on other countries sharing their nuclear technology with us. At present, we do very little sharing of nuclear developments even with our closest World War II allies.

As for nuclear power technology behind the Iron Curtain, let us not underestimate. We should profit by our previous errors in misjudging Russian prowess in numerous technical areas.

Another factor urging our undertaking a positive development program immediately, is the belief held by a few reactor veterans that nuclear power could be made generally competitive with conventional power today and what is most needed is a demonstration to clinch this belief. This is at variance with my earlier remarks on present-day economics of nuclear power and I must confess this ebullient optimism is not shared by a majority of experts. However, this serves to point up a serious deficiency facing anyone who attempts to chart a definite course of action in this field, namely, the high ratio of opinions to facts. Until we have attempted to construct a reactor plant whose main function is the generation of economic electricity, who can say with assurance that the pessimists are right and the optimists wrong?

Previously it was averred that the diversion of fissionable material for a peacetime power program might be frowned on in relation to its effect on our present stockpile. From a broad gauge viewpoint, this argument seems to be far overbalanced by the military benefits that would accrue from a growing nuclear power enterprise. Most of the reactor types which show promise as power producers could also be operated to produce weapons plutonium if the need arose. The military value

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Looking Ahead at The Capital Markets

By ROGER F. MURRAY*
Vice-President, Bankers Trust Company, New York

Pointing out movements in the bond market are more interesting than fluctuations in stock market, Mr. Murray reviews bond price trends since 1932 and finds, with no more government buying at fixed prices, bond market now is lacking in elasticity. Says individual bond buyer has practically disappeared, and bonds are now absorbed by investment institutions so that a cash market exists which expands or contracts only sluggishly in meeting changing investment demands. Looks for abrupt rather than gradual changes in bond prices in future, because of market's inelasticity as well as the sensitiveness of interest rates to business conditions. Urges more equity financing in our tight money market.

Under ordinary circumstances the stock market is much the more interesting segment of the capital markets for study and for attempts at forecasting. However, this is not the situation today. Fluctuations in the prices of equities continue to be of such modest proportions that they hardly stimulate our curiosity or exploit our weakness for guessing at the future. For our purposes this afternoon, therefore, I shall give the stock market only passing mention as we turn to look at a dynamic, erratic, and extremely interesting bond market.

Roger F. Murray

The changes which have taken place in the bond market amply support my use of superlatives. From 1932 through 1946, we had a long sequence of rising bond prices interrupted only by periods of stability. The postwar years of 1947 through 1950 produced only minor fluctuations, but since March, 1951, we have entered a new kind of a market. The magnitude of the change can best be seen in the perspective of the bond markets we have had during the last three decades. During the 1920s individuals were very important bond buyers, and at times the commercial banks were a factor. A high demand for funds from corporate borrowers could be met by a combination of attracting commercial banks to expand credit for the purpose and by intensifying selling efforts among the large number of individual buyers. This was a fairly elastic bond market in which rather substantial changes in the demand for funds were accompanied by comparatively modest changes in interest rates. In fact, the supply of funds was so successfully developed that an increasing demand was met in an orderly way without checking the rising trend of bond prices until credit became tight in 1928-29.

In the decade of the 1930s the supply of funds was relatively low, but the demand for new money was even lower. As a consequence of these supply and demand factors, together with the monetary and credit policies of the government, the bond market rose almost without interruption from the depths of 1932 to the levels established at the outbreak of World War II. In this period of slack private demand, the bond market was literally a one-way street with all elements in the situation conspiring to push prices higher and higher. Even the brief episode of a restrictive credit policy in early 1937 was only a temporary interruption in the broad upward sweep of bond prices.

During the war, of course, the private demand for funds disappeared from the capital markets and only government borrowing was important. The freezing of interest rates into a set pattern for war finance purposes created a unique situation in which bond maturities became of only academic significance. Under these circumstances a 30-year bond had approximately the same liquidity and price stability as a three-year security. The thawing of this frozen rate structure took place only gradually in the postwar years, and when the level of rates threatened to rise because of an active private demand for funds in 1947-48, the monetary authorities provided sufficient elasticity to the market to prevent any material change. This was, of course, the well-known pegging operation in which the Federal Reserve stood ready to purchase long-term government bonds at what amounted to a fixed price. Long-term lenders could meet the private demand for funds quite readily by selling their bonds in this pegged market. Having confidence in the liquidity and price stability of their government securities, they felt in a position to make commitments for months ahead. This period of bond market elasticity really ended in 1949 when as a result of the substantial decline in the private demand for funds strength was restored to the level of bond prices by the continuing growth of savings.

The decade of the 1950s started after the outbreak of war in Korea with an ill-advised repetition of the 1947-48 bond pegging operation by the central bank. By this process of facilitating the meeting of the demand for investment funds from private sources, the authorities unquestionably contributed to the rampant inflationary pressures; and after the long controversy which culminated in the accord of March, 1951, the provision of elasticity to the capital markets by standing ready to buy government securities at fixed prices was definitely abandoned. Since then we have been in a bond market notably lacking in elasticity.

A Cash Market

This very brief mention of past bond market characteristics is pertinent to this afternoon's discussion because it serves to highlight the fundamental difference between the bond market of May, 1953, and bond markets of previous years. The commercial banks, for example, are now very much back in the commercial lending business and in no position substantially to enlarge their takings of corporate and municipal bonds. We have no precise statistics on what has happened to the individual bond buyer, but we do know that whereas the leading thrift institutions (life insurance companies, savings banks, and savings and loan associations) held only about 20% of the net long-term debt of individuals and corporations in the early 1920s, the proportion is now well above 50%. If trusteed industrial pension funds and other investment accounts were also included, it would be even more apparent that the individual bond buyer has subsequently disappeared as a major factor in the capital markets. It is quite natural, therefore, that the selling mechanism of the investment bankers no longer functions in relation to individual bond buyers on a large scale. The ubiquitous bond salesman and, in more recent years, appeared, his activities being replaced by the life insurance salesman and, in more recent years, the distributor of mutual investment fund shares. It is fair to say, therefore, that the sources of private funds for the bond market which could be most readily ex-

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*An address by Mr. Murray at the Midwestern Spring Conference of the Controllers Institute of America, St. Louis, Mo., May 18, 1953.

Nudging the Inevitable—A Proposal for Freer Foreign Trade

By RICHARD GLENN GETTELL*
Chief Economist, Time, Inc.

Condemning our foreign aid policy as benefiting primarily the people of other countries at taxpayers' expense, Mr. Gettell contends "protected" industries are subsidized by the rest of the economy. Proposes as means for eliminating tariffs: (1) persuading foreign countries to lower tariffs; (2) cease raising existing tariffs or imposing new import quotas, and (3) start legislation on change of tariff policy in this Congress. Lists as provisions of a new commercial policy: (1) customs simplification; (2) gradual tariff reductions, and (3) making exceptions in tariff reductions to protect strategic industries and skills, prevent displacement of labor, and guard against foreign dumping. Wants "Buy America" clauses repealed.

Each of the two great world powers has a new Administration. Each is currently engaged in rethinking its job — determining the shifts of policy which will best serve its ends in the years ahead.

Dr. R. G. Gettell

Some policy changes necessarily are mere jockeyings of position to gain a temporary advantage, to push the opposition off balance. Others are more basic and relate to the maintenance and enhancement of national strength.

The greatest strength of the United States, actual and potential, is economic. Our economic policies, therefore, are crucial; our strength depends on their wisdom and soundness.

High on the list of policies undergoing review are those connected with our international trade, centering on the scheduled expiration in June of the Reciprocal Trade Agreements Program.

A few weeks ago the President asked for a one-year extension of the present Act. He urged that it remain unchanged pending further study of our whole foreign economic policy. Hearings will be held on Congressman Simpson's bill H. R. 4294, to amend the present Act: to weaken the power of the President, to strengthen the escape clause provisions, to change the make-up of the Tariff Commission and to give special treatment to the oil and lead industries. Many other suggestions are being made by interested groups. They range all the way from requests for specific import prohibitions, or quotas, or tariff escalators to outright demands for the overnight abolition of all trade barriers. The arguments have started. The great perennial debate on free trade vs. protection is on again.

Over the years probably no other public issue has brought forth more vituperation and more misunderstanding, more brilliance and more stupidity, more sophisticated and more naive debating points, more statemanship and more selfishness, more false generalizations from particular cases, more conflict between the public and private interests, and more confusion between economic theory and practical politics.

On intellectual grounds, as we all know, the argument is no contest. The free trade position long since has been the winner. From the days of Adam Smith, Cobden and Bright, and Bastiat down to the recent pronouncements of John Coleman's Detroit Board of Commerce, the logic of free trade has been overwhelming to anyone who thought about it with an open mind.

The Principle of Comparative Advantage

The general proposition has been expressed in many ways. Let me restate it briefly, stripped of refinements. And I promise to do it without recourse to the favorite phrase of the economics textbooks: "the principle of comparative advantage."

The historical accident of political boundaries has little to do with the needs and desires and economic capabilities of men, resources, and machines. The institutions that develop within such boundaries, the economic organization and the political system, however, have much to do with the level of economic performance—with the standard of living enjoyed within each set of boundaries.

For any people, the division of labor, the emergence of specialization, the development of a system of exchange, and an expanding volume of production and trade are requisites to economic strength and growth. Ideally that trade knows no boundaries except those dictated by the mutual commercial advantages of buyer and seller. The expansion of trade, both domestic and foreign, is to the interest of every people—every nation. The more nearly trade can be free, governed by healthy competition and unhampered by artificial restrictions, the more fully and efficiently will men and resources be employed and the greater will be the enhancement of the standard of living.

To leave theory for a moment, the best practical testimony to this principle is the volume of trade and the level of living standards enjoyed within and among the 48 United States of America. Within our own boundaries free expanding trade and a competitive system is fully recognized as a matter of mutual advantage for all involved. That recognition cannot stop short at our national boundaries without disadvantage to ourselves as well as to those who would trade with us.

Notwithstanding that fact, we have permitted our international economic policy to depart from those principles. And we have drifted into a tragically absurd situation.

At present some of the goods we produce are being sent abroad and consumed there: our exports. At the same time we are paying taxes, part of which are going abroad as foreign aid, to provide dollars to pay for the goods we have exported. In essence, therefore, our taxes are paying for our own goods which someone else consumes. We have done this to the tune of about 35 billions of dollars since the war. And shall continue to do so as long as we refuse to accept imports in return for our exports.

The Beneficiary of Tariffs

Who benefits? Primarily, it is the people of other countries—at our expense. As taxpayers we have the burden of foreign aid programs. As consumers our standard of living is doubly reduced: by the unavailability for our own consumption of the goods that go abroad, and by the higher prices we pay for goods consumed at home.

One domestic group benefits, but only at the expense of all the rest of us: our protected industries, sheltered under the umbrella of tariffs, import quotas and Buy American Acts. Indirectly they are being subsidized by the rest of the economy. The industrial consumer of imported materials pays extra. The individual consumer pays extra. The greatest purchaser of all, the government, pays extra, and we make it up in taxes.

How do we get out of this absurd situation?

One way, of course, would be to reduce our exports. This is the way of deflation. We can cut down our foreign aid—if we dare in the face of present world tensions. If we do, we can be sure that other nations will add further restrictions to their imports of our goods in order to equalize their foreign payments — to preserve their diminished supply of dollars. This not only would lower the standard of living abroad and weaken our allies; it also would reduce employment and the incomes presently earned in our export industries. It would constitute a contraction of our economic activity. Like any other contraction of trade, a reduction of our exports would be conducive to a decline in our domestic economy.

The obviously preferable choice is to expand our trade. As things stand at present this requires the acceptance on our part of more imports in exchange for our exports. An increase in our imports would reduce our tax burden, raise our standard of living, conserve our resources and provide the basis for continued international trade expansion comparable to that which has characterized the 48 United States. This would operate to the mutual benefit of all the participating countries—not least ourselves.

Why and How to Reduce Trade Barriers

This is primer stuff for a World Trade Conference. **Why** in principle we should reduce our trade barriers, is known to all of us.

How, in practice, to go about doing it, is another matter.

"Fortune Magazine," in March, contained an article which many of you have probably seen. It was entitled "Free Trade Is Inevitable." In logic that is true. In fact, however, the best that can be said is that it may be true. If we wait long enough the logic of events should make it come true.

My proposal today is that we give the inevitable march of events a little help, a little boost —that we nudge the inevitable along, and bring closer to reality the obviously readjustment of our foreign economic policy which we know we have to make but hesitate to start because it is a politically sensitive issue.

Accordingly for the rest of my time I am going to take the "why" question for granted and address myself to the "how." How can we reduce our trade barriers? What do we need to do legislatively to switch our policy in the right direction? How can we draft our legislation in such a way as to meet the principal practical objections to free trade theory?

As you know I am on the payroll of Time Incorporated. Also I am active in the U. S. Council of the International Chamber of Commerce for which I had the privilege of preparing a report on the same subject, a report that was released just yesterday. Although I am sure that my views are in tune with the general policies of both those organizations concerning the reduction of trade barriers, I should make it clear that they are not responsible for the particular suggestions I am about to make. If you think they are extreme, or naive—or if you think they are good—please blame me personally, not my affiliations.

Now for the proposal:

First of all, I count it essential that in all our dealings with foreign countries, we use every means of persuasion at our command, every proper pressure, to get them to reduce their own trade barriers. The strangling noose of restrictions, import prohibitions, exchange controls, inconvertibility of currencies and the impediments to foreign investment must be loosened and removed. Otherwise we are in serious danger that the Western World will be made up of tight little economic islands, little autarchies, stagnating because of declining trade with each other. Nothing would put a heavier burden on us; nothing would delight the Kremlin more.

So, though my proposals will refer only to change in our own policies, reflected as unilateral acts of United States legislation, that is because I am taking it for granted that in all our foreign negotiations we will press our allies to follow suit.

Second, I feel that under no circumstnces in the future should we raise existing tariffs or impose new import quotas. If there are special situations which in the national interest must be given preferred treatment, let it be by direct subsidy so that we can know what it is costing us and who is bearing the burden.

In this connection it is worth reminding ourselves of the only two cases where the "escape clauses" in the present Reciprocal Trade Agreements Act have been employed. The Tariff Commission determined that domestic producers were suffering injury because of the importation of hatter's fur (primarily from Belgium) and figs (primarily from Turkey). It recommended the elimination of tariff cuts and the restoration of previous tariff rates on these two commodities. The President, President Truman, agreed. Thereupon Belgium withdrew its concession on beeswax and Turkey raised its tariffs on typewriters, washing machines, refrigerators and other goods. If I manufactured refrigerators I would have very unkind feelings toward fig growers. If I raised bees, I would have more than one reason for not wearing a felt hat.

So, let us have no more incitements to retaliation where unsuspecting exporters bear the brunt. If protection is imperative anywhere let the burden be spread and the cost known.

Third, though I appreciate the tactical reasons why the President has asked for an extension of present legislation, as is, pending further study, I'd like us to get started on what, at best, will be a long and slow procedure.

No military strategist wants to join battle until he has fair assurance of victory. More support will have to be mobilized before it is prudent to go ahead with the best of plans. At the same time, Russia is moving fast these days and trying had to split the allies. I feel that if we stall on reducing our trade barriers, we seriously jeopardize our relations with the rest of the West. The OEEC report released last week bears out this conclusion. Europe is impatient to the point of desperation.

Start at Once a Legislative Program

So, I propose that we start on our own legislative program, that we confirm the direction of our chaneg of policy, and get it under-

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*An address by Dr. Gettell at the Eighth Annual World Trade Conference, Cleveland, O., April 24, 1953.

Free World's First Line of Defense

By GWILYM A. PRICE*

President, Westinghouse Electric Corporation

Prominent industrialist upholds our foreign aid program as building up free world's first line of defense, and opposes movement for removal of tariffs now protecting defense industries as a jeopardy to economic and military health of nation. Asserts current proposals for complete, unilateral free trade are over-simplified and wrong. Calls for low tariffs on a selective basis, not "a whole-hog, universalist, across-the-board basis." Holds removal of tariffs would injure and retard vital defense industries. Sees post-defense depression not inevitable.

It is an American habit, and sometimes an American fault, to demand perfection—and to expect it to be delivered on gold plates immediately, no matter how colossal the job to be done. We are an impatient people, and we are prone to judge any situation in terms of absolute values and ideal objectives rather than in terms of progress and relative improvement. We want to accomplish too much, too soon, too easily. Congress, for instance, passes a law that directs the armed services to use a single catalog system in buying the two and a half million items used to arm and equip the military forces; and the nation assumes that that takes care of *that*. I am not an engineer, but I know something about purchasing, and I know that you cannot create a procurement catalog in a multi-billion dollar enterprise simply by legal enactment.

Gwilym A. Price

We do ourselves harm when we apply this demand for perfection, this all-or-nothing ideal, to the operating agencies of a military service; but we endanger our very existence when we extend it, as we have done through most of this century, to world events and the inter-relationship of nations. It has caused us, as a people, to shuttle widely between hope and despair, between promise and disillusionment, back and forth between the extremes of isolationism and internationalism. It is a chief reason why we are generally engaged either in a mad scramble to rearm ourselves or an equally mad scramble to disarm.

We in America need to learn patience and moderation. We need to learn and apply the advice of a great man who said: "The American tendency is to try to get finality and quick decisions of ago-old problems. There is no finality to the stream of history—no black and white decisions. The stream of history is always flowing and problems between nations never end." His name was James Forrestal.

Our generation has made many mistakes, many of them serious, some of them shameful; but we have, I think, turned a corner and against evil forces have begun a counter-march that should decide basic issues for generations to come. We have begun to win what Admiral Noble two years ago described to you as "Three Quarters Peace, One Quarter War." Totalitarianism has been turned up to the sun and is a dying concept, both as a political philosophy and as a working economy.

Two Questions Face Us

Now, as the counter-forces begin to surge up and the balance of military power in the world is again restored, our people are beset with new fears. Two questions seem to be in everyone's mind.

We worry, first, if we will disarm again, go to sleep, and be caught off guard by a waiting enemy who talks of peace solely for the strategic advantage it can give him. The answer is simply that we must not disarm and relax before we are absolutely sure we live in a world in which it is safe to sleep without arms. This is a great country to have stood up so well under the treatment we have given it in the past dozen years, but we must not run the risk of subjecting it to such extremes again. Santayana said: "Those who forget their history are doomed to repeat it"; to which someone else had added: "And every time you repeat it, the price goes up."

The other fear we have heard is that a business slump may follow a settlement with the Communists. The fear is not unnatural. Our economy is undersince 1940. Our increase in industrial expansion over the past three years just about equals our entire net increase in production for the 20 years from 1920 to 1940. Nothing like that has ever happened before in history, and there is some concern among our people how the product of this expanded economy can be absorbed again into the civilian stream.

We Americans have a number of effective weapons we can use in this coming effort to convert our expanded productive capacity. We can absorb most of it simply by raising our national standard of living by, say, 10%. We can improve our selling and distribution facilities to help do this. When the heavy burden of Federal taxes is lightened, funds will be released that should create a sustained buying wave. There are almost unlimited possibilities for new and better products and for cheaper production through the application of science and technology. Better productivity, of course, is the decisive element. It can steadily reduce prices to the point where the product can be sold in mass volume. Productivity is the reason, as Mr. Irving Olds has pointed out, why rabbit is cheaper than mink.

Free World's First Line of Defense

Much more is at stake here than our own stability or the solvency of our own economy. The good health of the American economic system is intimately bound up with the good health of many other national economies. It is the free world's first line of defense. It is the hope of the peoples everywhere who have been entrapped behind Communist border guards, mine fields and barbed wire. If we are to fulfill our unsought mission as the first line of defense of freedom, we must retain our economic vigor. Charles Kettering told this gathering in 1947 of the great and surprising discovery the world had made after the war. It learned that if you want to provide your friends with milk, you have to have a cow.

The stability and solvency of the rest of the free world are important to us, too. In order to attain these goals, we have sent abroad money, goods and technical aid. In a gesture unique in history, we have opened our factories to productivity teams from abroad. In strengthening our associate nations, we have already gone so far as to jeopardize, if not totally sacrifice, our competitive position in world markets for highly engineered products in which labor cost is a primary factor. Since 1945 we have given our friends more than $35 billion. As Paul Hoffman once pointed out, you take a billion here and a billion there and it begins to run into money.

I think we acted wisely in carrying out that postwar program. It helped some good people get back on their feet and in the process it helped to win political victory for us where we needed it. I hope we will continue aid to our allies, particularly in its present form of building American arms in foreign factories under the offshore procurement program.

Changing Our Tariff Policy

There is now considerable weight behind another proposal for aiding our overseas allies — to change our trade and tariff policy drastically, so as to admit a much heavier flow of imports. Several national organizations have backed this proposal, some of them recommending the complete elimination of import duties. The Mutual Security Agency last fall had a plan by which our tariffs would be cut 10% across the board each year for 10 years. The Detroit Board of Commerce last November asked that all import duties be repealed, including the one protecting automobiles. Our basic tariff law will expire next month, and we shall hear more of this proposal as the Congress acts on the President's request to continue that law for another year.

Proponents of this new tariff policy say that it would "raise efficiency, reduce aid abroad and taxes at home, and thus give American consumers billions more to spend, maintain employment in export industries, and enable the nation to consume more without working harder." The proposal is being presented under the slogan "Trade, Not Aid." At the worst, they say—"A few inefficient organizations may suffer"—"A tiny segment of our economy may be injured or dislocated"—and "There may be real or fancied injury to specific groups which represent special interests and are, therefore, highly organized."

It is a plausible argument and one that is being widely accepted by businessmen, editorial writers, government officials, and other men of good will. To oppose it now is a little like attacking motherhood and endorsing sin. At this point, however, I think we might well consider the opinion of Justice Holmes, who said: "No general proposition is worth a damn." We need a little of the scepticism that Cordell Hull, father of the Reciprocal Tariff Law, is said to have shown one day on a train ride through his native Tennessee. A friend said to him, pointing, "Those sheep have just been sheared." To which Mr. Hull replied: "Sheared on this side, anyway."

Complete Free Trade Proposals Are Wrong

Current proposals for complete, unilateral free trade spring from the noblest and purest of motives, but I believe they are over-simplified and wrong. They are another example of our impulse to try to do too much, too soon, too easily. I believe such proposals, if carried out, could harm our economic stability, and I *know* they would endanger our military security. Because I believe this so strongly, I have undertaken the thankless task of saying here words of opposition that I feel need to be spoken. Because I know that the paramount concern of the Naval Engineer is the preservation of our national security, I am sure you will agree with me that what I am about to say is in the direct line of your professional and patriotic interest.

We Americans have come a long way, of course, in the direction of free trade. In 1934, the average rate on dutiable imports on all products was more than 25%; by 1951 it had dropped to 13.3%. More than half of our imports are admitted duty-free. Imports have risen steadily and substantially since the war. Presumably they will continue to rise. The Materials Policy Commission, for example, has estimated that we will have to triple our imports of raw materials by 1975.

This is a good record, from the point of view of any trade liberal who does not expect miracles. Probably the American people, through their President, Congress and Tariff Commission, will want to continue that slowly declining rate on imports, on a selective basis. But to eliminate duties entirely, as is being seriously proposed by responsible persons and organizations, will beyond any question of doubt disrupt critical parts and areas of the national economy, with serious consequences both here and abroad.

I do not refer to disruption of those modest - sized industries that are cited over and over again

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*An address by Mr. Price at the Annual Banquet of the Society of Naval Engineers, Washington, D. C., May 1, 1953.

Canada and the Security Analyst

By RICHARD W. LAMBOURNE*

Partner, Dodge & Cox, San Francisco, Calif.
Past President, National Federation of Financial Analysts Societies

West Coast security analyst, stressing community of interest of American and Canadian financial analysts, points out their work has now reached the status of a profession. Holds responsibilities of analysts are akin to those of a trustee, and lauds role of Canadian security analyst in present situation. Sees no threat to prosperity from world peace, and states though trend of business activity will turn down, we are not faced with "a cyclical collapse." Points out security analyst by training should have a healthy degree of investment skepticism.

The past few years have clearly demonstrated that instead of a conflict we have a very definite community of interest in the ever-rising recognition of security analysis as **a profession.** The Societies in the States, being older, have naturally taken the lead with activities and projects pointed towards this goal of broad professional acceptance, but we know that the financial analysts of Canada have the same objective and are working with equal fervor for it. Indeed the corporate charter of the Montreal Institute of Investment Analysts includes the following objects:

R. W. Lambourne

"To establish and promote the adoption by investment security analysts of **standards of professional ethics.**"

"To create on the part of industry and the public an understanding of the function of security markets and of the **profession** of investment security analysis."

Professional Status of Analysts

I can think of no more important aspect of the National Federation of Financial Analysts Societies than this subject of professional status. Ten or 15 years ago practicing security analysts did not have it, although the old label of "financial statistician" was disappearing. Now we do have it, not as yet in any legal or statutory form, but certainly in the minds of all those who know our work, and they are becoming legion. For example, let me quote from a recent article in the New York "Times" discussing possible revisions of prospectus requirements by the Securities and Exchange Commission:

"In the administration of the statute little or nothing was accomplished toward imparting the 'full disclosure' story to the uninformed investor, as Congress intended. As it is today, the information fully disclosed by issuing companies is of most use to the **security analysts** of investment houses. In this respect the law has been of direct help not to the public but to the trade, because it made companies expose to the scrutiny of **professional analysts** facts that in many cases had hitherto been undisclosed."

Now I am skeptical that our Securities Act can in fact be changed to provide all the information that the uninformed individual investor may require. It seems quite unrealistic to think that any law or set of laws could accomplish this end. I am sure you will agree, however, that security analysts today are in a position of great influence with respect to the flow of capital, not only in the issuance and sale of new securities but also in the equally important shifts of investment funds between already existing issues. I believe it entirely fair to say that most major investment decisions of institutions in the United States are backed by the work and judgment of trained security analysts. Indeed we may go farther and say that the composite views of professional analysts are largely responsible for the basic price movements of investment grade securities. This does not necessarily apply in the case of marginal or highly speculative securities whose markets are not determined by institutional investors. In any event the broadening scope of competent research and financial analysis is a factor of great significance throughout the investment field.

*An address of Mr. Lambourne before the Montreal Institute of Investment Analysts, Montreal, Canada, April 28, 1953.

Responsiblity of Analysts

The responsibilities of analysts today are closely akin to those of a trustee. Directly or indirectly we are charged with the duty of rendering advice and making decisions with respect to other people's savings. I need not dwell on this point but it bears repeating that a trustee must always think and act in the best interest of others, and not merely for his own.

If this analogy is valid for the professional analyst, and I am certain that it is, then all of us will constantly be ware that integrity, unprejudice and freedom of decision must be among our lasting attributes.

Although analysts in Canada have a rich heritage of tradition and established wealth as a financial background, we are still inclined to view your great country as in a promotional or development stage. Perhaps you will readily agree. Your tremendous natural resources are an indubitable lure for capital from all over the world. I am sure that you do not lack for risk-takers—those who are willing to venture their savings in enterprises having a potential share in the growth of Canada. It is difficult to conceive of any country having a more assured future from the viewpoint of **what is yet to come** in the development of your vast "storehouse of value" in the form of minerals, oil, timber, hydro-electric power and other assets of such vital importance in the economics of our times.

Many of us in the States have wondered about the problems that rapid growth poses for Canadian security analysts. How is it possible to keep abreast of the facts? How can you render sound advice to investors on exploratory situations that may be nothing more than a hope or a prayer, but which might well turn out to be an investment opportunity of a lifetime? For instance, let us consider your oil situation. Canadian oil reserves have increased over 4,000% in the past five years and natural gas reserves some 1,400%. During 1952 new discoveries were reported at the rate of one every two days. Some geologists predict that in due course Canada will reach fourth place among the world's oil producing countries. Your new offerings of oil stocks and "land spreads" seem myriad and many of them would appear to defy analysis.

The Canadian Security Analyst

We would not presume to try and spell out an operational code that the Canadian security analyst might follow in this period of expansion. Surely we can be confident that trained analysts in the Montreal Society will follow the dictates of their own good judgment and present the facts together with their honest interpretations to all who ask for them. It is both a challenge and a great responsiblity. Humbleness of opinion may be an especial virture in many instances where the future of a risk-enterprise simply cannot be forecast with exactitude. The professional security analysts of Canada may well have in this dynamic oil situation their finest occasion to demonstate the long-run worth of careful analysis as contrasted to the use of tips and heresay in the promotion of new ventures.

All of us know that the selection of "growth" stocks is a fascinating occupation. Moreover if the job is carefully done it renders highly productive results in the form of capital enhancement and income. It is indeed a worthy objective for any investor. My concern is with those few instances where analysts as a group may

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LETTER TO THE EDITOR:

College Economist Takes Issue With Sears on Price of Gold

E. S. Klise, Associate Professor of Economics at Miami University, Oxford, O., says proposal to increase price of gold is unjustified and dangerous, and "we cannot wreck our economy to permit higher profit to one industry."

Editor, Commercial and Financial Chronicle:

I have only recently had the opportunity to read the article "Honest Dollars and the Price of Gold," written by Harry Sears and appearing in your issue of March 12, 1953. I regard the proposal of the author to raise the price of gold as both unjustified and dangerous, and this I shall point out in the following analysis:

E. S. Klise

Numerous proposals for raising the price of gold have been made in recent years. These recommendations fall in one of two classes. One line of argument is that an increase in the price of gold would ease the dollar shortage, promoting recovery abroad. There is certainly something to be said for this point of view. If all countries were simultaneously to double their price for gold, sellers of gold would receive twice as much goods as before, regardless of purchaser. The terms of trade as they related to all other imports and exports would be unaltered. England, for example, would get as many bushels of wheat in exchange for a Jaguar as before both nations raised their gold-buying price. But so long as she continued to find that her exports to us (and other items such as services for Americans and expenditures of American tourists in England) were less than her imports (and similar items) from America, her financial problems would be eased by the fact that each ounce of gold she sent us would give her twice as many dollars as before.

That is the essence of the argument. For reasons many times reviewed there is a great demand abroad for American goods and relatively little American demand for foreign goods. Other countries would take more of our goods if, somehow, they could pay for them. Gold is the one commodity which they can export to us in unlimited quantity. If we would agree to give them more goods for their gold they would find it easier to buy our goods.

Benefits Abroad

That we could also demand more of their goods for gold would be unimportant since there would be few occasions when we would be compelled by an unfavorable trade balance to ship gold. The benefit to us from the changed price of gold would be represented by the contribution to world prosperity generally and probably by a decline in anti-Americanism.

Since the United States is usually on the receiving end of the gold flow, it would be the United States which, to a large extent, would be paying for economic improvement abroad by providing more goods for foreigners in exchange for additions to our gold stock. As an alternative to giving our goods away outright or financing their sale through loans which will never be repaid a higher price for gold would have the advantage that it would permit other countries to take our goods in an atmosphere less saturated with charity. Our relations with the rest of the world would probably be improved if other countries were not so frequently made to feel their dependence upon the United States. No one takes by choice the position of a poor relation.

There is much to be said for this point of view, although it can not be regarded as conclusive. For one thing, it would be a non-selective procedure, benefiting primarily the gold producing nations, including Russia, rather than those nations which we most wish to aid. Also, such a step might have the result of preventing or postponing more fundamental readjustments which might otherwise be made. If gold prices are left alone, other nations may be compelled to develop new products and to improve their techniques of production and marketing so that they can increase their exports, hence augment their supply of dollars.

A Fallacious Argument

In contrast, however, to this reasonable argument for an increase in the gold price there is another argument which is as mischievous as it is fallacious. This is the claim that the price of gold should be raised because the price of everything else has advanced. However plausible this may appear as an ethical proposition, it is untenable as a monetary principle. It is shot through with inconsistency.

It is perhaps not particularly important that its supporters offer as proof of the superiority of the old gold standard the fact that it would not have permitted the rise in prices which has occurred since 1933. That is no doubt cor-

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LETTER TO THE EDITOR:

Answers Dr. King on "Earmarked Gold"

Franz Pick points out under Gold Reserve Act of 1934, foreign governments and central banks can convert dollar deposits in U. S. into gold, and, therefore, such foreign deposits are a lien on the gold reserve.

Editor, Commercial and Financial Chronicle:

Under the title "Takes Issue with Franz Pick on Repercussions of Gold Standard," you published on page 7, of your May 14 issue, a letter by Dr. Harold J. King.

Franz Pick

I do not want to enter into a controversy with Dr. King's personal opinions, which I fully respect, but there is one point that I must underline once again, in order to avoid any misinterpretation of figures. Dr. King has serious doubts concerning my statement, . . . "of the $22½ billion of gold we have, about $3 to $5 billion are mortgaged by dollar holdings of foreign governments, therefore, only about $16½ to $19½ billion are actually all our gold stock."

The authority of the Federal Reserve Bulletin should not have been quoted in this discussion and Dr. King's belief that I could have made the mistake of deducting "earmarked gold" from our official gold stock, is not exactly a compliment for my knowledge of currency problems.

The facts are somehow different.

According to the famous gold act of April, 1934, every foreign government and/or central bank is entitled to change its dollar deposits in the U. S. against gold at the official price of $35 an ounce, at any time. To my knowledge there is no official publication of these constantly fluctuating American dollar balances of foreign governments. An easy obtainable estimate of such foreign dollar deposits, based on foreign trade movements, foreign exchange control authorities abroad and information from U. S. commercial banks, would have shown Dr. King that the figures of $3 to $5 billion of such balances are highly conservative. Any official of the Federal Reserve Bank would have to confirm my completely legal point of view, as well as the fact that these foreign government dollar assets have nothing to do with "earmarked gold."

I am very sorry for having been forced to publicize, with such precision, the above enumerated cold facts. But as currency theory is one of the most pitiless laws above the governments, I can only conclude "*dura lex, sed lex*" and close, I hope, this discussion here.

(Signed) FRANZ PICK

Pick's World Currency Report
75 West Street
New York 6, N. Y.
May 15, 1953

THE MARKET ... AND YOU

By WALLACE STREETE

President Eisenhower's tax suggestions were disappointing to people who hoped he would let the Excess Profits Tax die a natural death on June 30th. There is still strong opposition to this unfair tax in Washington and the time for passing a new bill is short so the man who predicted that the EPT would expire in a period of "Congressional confusion" may still be right.

* * *

The market continues its digestive process giving occasional tests on the downside on favorably light volume. This has been encouraging to patient bulls who remember the old saying "don't sell a dull market." The formation of a market base after a decline is usually an uninteresting period. But wise traders realize that the best time to accumulate stocks is during dullness that follows an oversold position.

* * *

For six and a half weeks the market has remained in a narrow ten-point range or roughly in the 270-280 area while the rails have been fluctuating in a five-point area bounded by 101-106. There have been three declines during that period with the second lower than either the first or third which the chart readers call a reverse "head and shoulders" formation. Usually the market is preparing for a reversal of trend when it behaves that way. Ability to move out of this narrow range on the upside would suggest a desire to test the 286-288 level for industrials and the 110-111 level for rails.

* * *

The stock market generally likes hot weather. Records show that it is almost always possible to sell stocks bought at this time of year at a profit sometime in June or July. Business sentiment is hopeful during the summer months and it is generally sometime after Labor Day that real business trends are evident. Perhaps that is why so many bear markets, including those that started in 1929, 1937, 1946, did not go into their active phase until the fall.

* * *

In many respects the current market situation is like that of 1945. When the war ended there were grave doubts as to the business outlook because of the shift to a peacetime basis. The market, however, rallied sharply from that period of pessimism perhaps largely because of expectation that the wartime EPT would be ended. The important difference now and then is that we do not have the large backlog of demand for consumers goods.

* * *

Stocks that should be most sensitive as to what happens to the Excess Profits Tax in the next six weeks are those that have been most seriously affected by this unfair levy. The following had to pay out a third or more of their earnings in 1952 because of this tax: American Machine & Metal; Bendix; Bliss & Laughlin; Boeing Airplane; Briggs & Stratton; Chicago Pneumatic Tool; Cincinnati Milling; Clark Equipment; Continental Foundry; Continental Motors; Cornell-Dubilier; Cutler Hammer; Douglas Aircraft; Eaton Mfg.; Ex-Cell-O; Fairchild Engine; Garrett Corp.; General Cable; General Railway Signal; Niles-Bement-Pond; Reo Motors; Republic Aviation; Revere Copper & Brass; Scullin Steel; Sperry; Square D; Stewart-Warner; Sundstrand Machine Tool; Thew Shovel; Thompson Products; Timken Detroit Axle; Timken Roller Bearing; Twin Coach; and U. S. Rubber.

* * *

Some stocks have been quietly climbing back toward their 1953 highs and a few have gone to new peaks for the year, while the general market has been floundering around waiting for the clue on the tax picture. Among them are: American Can; General Electric; Anderson Prichard; Warren Petroleum; Interchemical Corp.; American Car and Foundry; Westinghouse Airbrake; General American Transportation; Lowenstein (M.) & Sons; Reynolds Tobacco; Chicago & Northwestern; Southern Rail; Cudahy; American Tobacco; General Foods; du Pont; Cincinnati Milling; Ex-Cell-O; Revere Copper & Brass; General Cable; Shamrock Oil & Gas; Houston Oil; Raytheon; Pressed Steel Car; Hilton Hotels; Gillette; Melville Shoe; Canada Dry; Pepsi Cola; Republic Steel; Jones & Laughlin; Great Western Sugar; Liggett & Myers; Lorillard; Philip Morris; Fansteel Metallurgical; Western Union; Consumers Power; Pacific Gas & Electric; Pacific Lighting; General Telephone; Chicago Rock Island & Pacific; Seaboard Airline; Southern Pacific; and Denver & Rio Grande.

* * *

Dividends are one of the biggest influences on stock prices. It is encouraging to find that in the first quarter they were 5% higher than they were a year ago. Biggest increases were shown for financial, office equipment, utility, real estate, rubber, machinery, and building companies. Decreased payments were most prevalent in amusement, farm machinery, textile.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Harold Spink, Others With A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harold H. Spink, Kenneth L. Eaton and Linus F. Groene have become associated with A. C. Allyn and Company, Incorporated, 122 South La Salle Street. Mr. Spink was formerly manager of the municipal department for Dempsey & Co., with which Mr. Eaton and Mr. Groene were also associated.

In Defense of the Federal Reserve System

By WM. McC. MARTIN, JR.*

Chairman, Board of Governors of the Federal Reserve System

Describing Federal Reserve Act as an ingenious blending of public and private participation in an institution created to regulate the money supply, Chairman Martin upholds the plan of the regional reserve banks, and explains their individual responsibilities. Decries criticism of Federal Reserve policy as ascribing to monetary action an omnipotence that "does not exist." Reiterates belief in flexibility of the national economy.

Central banking—or more accurately, reserve banking—in the United States has been adapted to the requirements of a free people with a minimum of government interference. The genius of the framers of the Federal Reserve Act — as I have emphasized before — lies in the creation of regional banks, knit together by a national governing body in Washington rather than in the establishment of a central institution with authoritarian powers. Each Federal Reserve Bank and each branch office is a regional and local institution as well as part of a nation-wide system. Through their boards of directors, the banks are in a position to represent the views and interests of the particular region to which they belong and, at the same time, they are the administrators of nation-wide banking and credit policies.

W. McC. Martin, Jr.

Instead of functioning from the center outward, we function through an interdependence of all our parts. The vitality of the Federal Reserve System is in its members. The health of each member affects the whole, and it is only through the work, and the conviction, and the determination of the members that the whole has life. Within the framework carefully outlined by law, the Federal Reserve Board is charged with responsibility for formulating national credit policies and supervising their execution. The Federal Reserve System is not perfect, but it is unquestionably the main bulwark of our private banking system. Without a strong and independent reserve banking system, private banking must inevitably lose the initiative it now possesses.

It is well always to bear in mind that the Federal Reserve System is a service institution, and that the more than 250 directors of the 12 banks and 24 branches, the 20,000 officers and others who work in them, as well as the Board and staff in Washington, are all serving as trustees of the money of all of the people of this vast country, not any one group, or faction, or section.

Not Merely "Bankers' Banks"

Although the Federal Reserve Banks sometimes are referred to as bankers' banks, that describes only a part of their function. The various services which the Federal Reserve Banks perform for the banking community, such as supplying currency, transferring funds, and collecting checks, are an essential element in keeping the mechanics of modern commercial banking in step with the financial needs of a growing and changing private enterprise economy. But the overriding purpose of this Reserve System is to serve the interests of the general public in business, industry, labor, agriculture, and all walks of life.

This institution is the fountainhead of credit—of the great bulk of our money supply. It is the medium for distributing the pocket money in daily use, but that is of subordinate importance. The ebb and flow of pocket money is determined by day-to-day needs of the merchant, the shopper and all who use cash. Of far greater importance is the System's responsibility for creating or extinguishing credit. For credit — bank credit—is the life blood of our economy.

The trusteeship to which I refer is carried out in the exercise of the System's responsibility for influencing the volume, availability, and cost of credit. The purpose is to see that, so far as Federal Reserve policies are a controlling factor, the supply and flow of credit is neither so large as to induce destructive inflationary forces nor so small as to stifle our great and growing economy. Now that is a very great responsibility. By its very nature it must be carried out in the interests of all of the people. And if it is not so executed then the country would demand and deserve a new and faithful trusteeship over the creation and flow of credit.

Protecting the Value of the Dollar

Some critics have charged the System with failing one of its fundamental purposes—protecting the value of the dollar—because, in the four decades since the System was founded, the value of the dollar has been cut more than in half. The truth of the matter is, of course, that in these years we have had two world wars. We are still in the cold war. The resultant economic upheavals could not have been prevented by monetary policy alone. And this is not to say that monetary policy has always been as timely or effective as it might have been. The fact remains that without an appropriate and effective monetary policy there is no adequate safeguard against the distortions and distress that can be brought about either by much too little or much too much money. The ideal would be enough to meet the growth needs of the economy, without either inflation or deflation.

For most of the postwar period, the aim of monetary policy and action has been to prevent inflation. The war ended with a money supply which was so excessive in relation to the available supplies of goods and services as to result in a strong upward pressure on prices, and a rising cost of living. We had more than a taste of that when the harness of price, wage and other controls, which temporarily held back the war-created flood of money, was removed and the tide of unchecked funds inundated the market places. Following Korea, there was a sharp resurgence of these upward pressures. These quite recent experiences should have taught us, if the long history of monetary excesses in other parts of the world did not, that there are no sound substitutes for intelligent fiscal and monetary policies and measures. And it illustrates once more that when an economy is running at peak levels of production and employment, creating more money will not create more things to buy. It can only bid up the prices of available supplies.

Inflation is a sneak thief. It seems to be putting money into our pockets when in fact it is robbing the saver, the pensioner, the retired workman, the aged—those least able to defend themselves. And when deflation sets in businessman, banker, worker, suffer alike, as most of us here know from the early thirties.

Preventing Deflation

All of that is an old story, to most of us, yet there are voices being heard even today that seem to say that just a little more inflation won't do any harm—or that the price of even a few ounces of prevention is too high. What we are seeking to prevent in the end, of course, is deflation. In these past two years we have had the almost ideal economic situation—we have had a remarkable degree of economic stability at record levels of employment and production. We have not had another round of inflation. We have not had anything resembling a deflation. This desirable state of affairs cannot be ascribed to monetary policy alone, of course. But I do not believe it would have been achieved without the monetary policy and actions of the past two years. I do not think it would have been possible had the Federal Reserve System let the creation of credit go on unchecked in this period. The transition to free markets, as I have called it, made

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*An address by Mr. Martin on the occasion of the opening of the new building of the Federal Reserve Bank of Boston, Boston, Mass., May 6, 1953.

From Washington Ahead of the News

By CARLISLE BARGERON

The demand seems to be increasing from a certain segment of the press that General Eisenhower "assert" himself, that he assume a "strong" leadership. The Democrats, I am told, have taken this for a cue in the building up of their files for the Congressional campaigns next year and hope to be able to make a case of the President's "weakness" of leadership.

Carlisle Bargeron

Seeking to analyze the complaints one comes to the conclusion that the main thing his critics want him to exercise "strong leadership" on is Senator McCarthy. The critics would like to have the President run him out of the Senate which is something I doubt seriously he can do. But these critics would also like to see him bark occasionally at Stalin's successor, one Malenkov, and to "put Congress in its place." I don't think the criticism is all intentionally perverse; it is partly because the editors can't stand the peace and quiet along the Potomac after the strong arm methods of Roosevelt and the attempted but unsuccessful ones of Truman. His "strong leadership" was unavailing but it made a lot of noise. There was seldom a day when he was not bawling out Stalin, Congress or a music critic.

One editor has expressed the opinion that the General suffers from "an oversimplified textbook view of the trinity of American governmental structure." He decries how the President has "given in" to Senator Taft and, of course, to McCarthy, though it is a little difficult for me to see just where he has given in to the latter on anything; where, as a matter of fact, he has paid any attention to him at all.

A notable example of his "giving in" to Senator Taft, I suppose, would be the matter of naming new members of the Joint Chiefs of Staff. It so happened that Defense Secretary Wilson also insisted that the be permitted to have his own team.

But this spectacle of an influential segment of our press demanding a strong, personal government while at the same time worrying about dictators in other parts of the world is really something to contemplate. Up until the time of Roosevelt we were quick to shout "dictator" at our aggressive Presidents. We did it at Theodore Roosevelt, even at Woodrow Wilson. They were both self-willed and so-called strong men. Believe it or not, a lot of Herbert Hoover's troubles in the one term he served came from a feeling that he wanted to be too powerful.

A pretty sound theory which Americans have followed in the past was that shrinking violets did not become Presidents; he had to be a mighty ambitious and self-confident man to think he should serve in the most powerful position in the world. Therefore, our Congress watched his every step to keep his feet on the ground. Those who are apparently unaware of this history or whose minds have become dulled by what has gone on in the past 20 years seemingly overlook the fact that the country has gone into two devastating World Wars under "strong leadership" in the White House.

There were considerable misgivings about General Eisenhower's becoming President because of his military background. A military man in the White House whose life training had been in issuing orders and having them carried out was enough to cause perturbation in many minds.

Now, however, we have the picture of that man, used to power, leaning over backwards to make the "textbook view of the trinity of American governmental structure" work, to the disgust of an influential element of the country's leaders. In his meditative moods it must give him a laugh.

At the recent dinner of the White House Correspondents Association, Bob Hope recalled meeting the General in North Africa during the war.

"That was when he was a four-star General and had some power," the comedian cracked.

The President burst into laughter and applauded enthusiastically.

In the first place, this writer's opinion is that if he were to try any strong armed leadership, anything smacking of the military, there would be an awful outcry in the country and in Congress and that his Administration would be thrown into an awful mess.

Herbert Hoover came into office with the reputation of being a miracle man. His idolaters, stemming from the organization which he set up to administer food relief in Europe after World War I, had overdone the job of building him up. The result was that Congress, composed of conflicting personalities and men who consider themselves "miracle men," set out to deflate him almost immediately he took office. The depression completed the job for them but they had laid a fairly good groundwork by the time the depression came.

It may be, though, that times have changed and that we have heard so much of Europe's "strong" men, of Asia's; it may be that we became so dependent upon "strong" leadership under Roosevelt, that the critical editors are reflecting a general mood. Even in this case, I doubt the service they are rendering to their country; if it is a case of their trying to make the mood, I think they are terrible.

But regardless, inasmuch as they are making the campaign they are, it is most fortunate that we have a man of Mr. Eisenhower's temperament in the White House. He doesn't seem to have any lust for power—and that could be because he has already enjoyed so much of it.

Public Power Is Here to Stay

By HON. DOUGLAS McKAY*
Secretary of the Interior

Though condemning monopoly in any form, whether public or private, Secy. McKay defends public power projects, when such projects are beyond the means of local people and are of a self-liquidating nature. Upholds partnership arrangement with localities in power projects. Concludes "turning back all of our Federal power systems to private enterprise is out of the question."

There are too many times when a discussion of public power turns away from facts to a riot of emotional misunderstanding. That is one of the things that has created confusion in the minds of many people as to just what public power is all about and what is being done in this field.

Douglas McKay

Perhaps there is no other subject on which there are so many different opinions and it is good to see a group such as the American Public Power Association sweep aside the emotions of public power and enter into the discussions of the problems ahead with one goal in sight—get the facts and then act accordingly.

Public power is here and it is going to say. I don't agree with the protests of some people who say the government should get out of the power business. They are entitled to their thinking and I don't quarrel with their thinking. But I want to do my own thinking and that has led me to the conclusion that public power has been a benefit to the people and will continue to be a benefit.

But I do not like monopoly in any form. I do not like monopoly —whether it is private monopoly or government monopoly. There is room in this nation for the development of private and public power and there is no reason why they cannot work side by side in a partnership of mutual direction — greater service to a greater number of people.

Power in the Pacific Northwest

Out in the Pacific Northwest—a region with which I am most familiar—we have a power grid in which all types of agencies generating power deliver that power into a grid over which it is moved to the customers.

The Bonneville Power Administration operates that grid and it transmits power that is produced by the Army Engineers at Bonneville Dam, the Bureau of Reclamation at Grand Coulee Dam, and surplus energy that is produced from time to time by various local publicly owned and privately owned utilities. This power is transmitted to various retail distributors that are operated in some instances by publicly owned utilities and in other instances by privately owned utilities. It also transmits power to a number of large industries.

There is room there for all of them and they are working together toward their one goal of greater production to meet a rapidly increasing demand for electric energy. The yardstick in use out there is in the agreements which exist between the public power agencies and the privately owned agencies. Neither side should be permitted to take advantage of the other. The agreements must be fair to all concerned or the ultimate goal cannot be reached.

Just to show there are some people who believe that a public power program can be agreed upon by persons of opposite political faith let me say that in my home town of Salem, Governor Adlai Stevenson of Illinois had breakfast with me.

In the Salem "Capital Journal" that day you will find a story in which Mr. Stevenson is quoted as saying:

"It seems to me there is room in our economy for both government and private initiative. What's been happening here in the Northwest is a good illustration of it."

Out on the Columbia River system where there is something like 40% of the potential hydroelectric power in the nation, the Federal government is engaged in building many dams. There is McNary Dam, there is Chief Joseph Dam, there is The Dalles Dam, there is the Palisades Dam.

The first three are on the Columbia River. The Palisades Dam is on the upper Snake. All will soon be developing power in that area. I will back to the utmost the efforts to continue Congressional financial support for these projects.

McNary and Chief Joseph and Palisades dams are well on their way to completion. The Dalles Dam is just getting under way. The latter dam is one of the most important in the regional development of the Columbia River Basin and nothing should be permitted to stand in the way of its early completion. I stand ready to battle for funds for that project at any time.

The Hells Canyon Situation

Now, in the last few days you have heard much about Hells Canyon. I note that some writers have said the Secretary of the Interior has given away the last big power site in Hells Canyon. Rest assured no such thing happened. What I did was to withdraw the Department of the Interior petition of intervention against the application of the Idaho Power Company before the Federal Power Commission.

That Commission is the authority which grants licenses for water power development — not the Secretary of the Interior. If the Federal Power Commission sees fit to grant the license to the Idaho Power Company that is up to that body.

In my book the decision should be made by the body legally entitled to make that decision. If the Idaho Power Company obtains its license and proceeds with the construction of the Oxbow Dam and the other two dams needed to complement that structure, there is still room on the Snake River for tremendous public power development.

Below Hells Canyon — and I speak of that as the site of the dam recommended by the Bureau of Reclamation in the previous Administration — there are other excellent sites. There is the site at Mountain Sheep which engineers consider to be an excellent site and below that is Nez Perce, which many engineers contend is the best site of all on the river.

The fish problem looms up in the Nez Perce site as it is below the mouth of the Salmon River, a good fish stream. However, some solution must and I am sure will be found for the problem.

Hells Canyon must be approached from a realistic viewpoint. Any other is pure fallacy. Twice in a Democratic Congress the program for Hells Canyon Dam was defeated, once by a vote in the Senate and once when the bill was indefinitely postponed in the House Interior Committee. Congress did not see fit to appropriate the tremendous sums needed for Hells Canyon or even to authorize the project.

The discussions of Hells Canyon have often become emotional and this has led the public to receiving a very incomplete picture. Let me give you some of the facts. In order to make the Hells Canyon Project work and produce the benefits for which it has been credited, it would be necessary to build the dam and the powerhouse at an estimated cost of $357,000,000. Transmission lines costing $144,000,000 would have to be constructed and generators and turbines would have to be added to several dams downstream for another $59,000,000. Another part of the project calls for the expenditure of an additional $283,000,000 to provide irrigation benefits for a project which is in no way physically related to Hells Canyon but which is to be subsidized by the profits from the sale of power. Thus the total esimated cost of the Hells Canyon Project itself becomes $843,000,000.

This is not all. Five of the large dams downstream from Hells Canyon which are to profit from the flood waters stored in Hells Canyon Dam have not yet been started. The estimated cost of these five projects, not including interest during construction or transmission lines, is another $881,000,000. While these five dams will presumably create benefits of their own sufficient to pay for their cost, it is necessary that they be built before all the benefits credited to Hells Canyon can be realized. Therefore, if all of the benefits that Hells Canyon is supposed to create are to be realized, the Federal Government must spend not less than $1.7 billion.

At a time like this when the Federal budget is in its presnt state what would you do if you were in the Congress? Would you commit yourselves to spending that kind of money now? On the other hand, if a private utility is ready and willing to do a very comparable job and meet the rigid requirements of the Federal Power Act would you stand in the way if the Power Commission saw fit to issue a license?

Some people have suggested Hells Canyon is a symbol in the fight between public and private power. Suppose that canyon were named Smith's Canyon, White Canyon, or Joe's Canyon. Would there be half as much concern expressed if it did not have the romantic name of Hells Canyon? What the people want in that area now is power to relieve a real shortage. And, again, may I say, there is room for both public and private power, both to serve an area that needs it.

President Eisenhower on Public Power

President Eisenhower said in his campaign — and I intend to keep his pledges as they relate to my Department:

"We still have periodic power shortages. It is high time that there was a correction of this—correction through a partnership of private enterprise, the locality, the State, and where necessary, the Federal Government—but not with the domination of the Federal Government."

The President has said, and I go along with him 100%, that the development of our power resources must be approached from the grass roots, that the people in the areas have a voice in what is being done with their own resource—and after all, water is a resource that belongs to all the people, not to the Federal Government.

That is why I have opposed a Columbia Valley Authority in the Pacific Northwest. I have no opposition to an authority if the people want it but I know from my own surveys the people in that region want no part of a CVA, controlled in Washington, D. C.

Back in 1935—long before many of the present-day advocates of public dams were very much interested in these things—I was a member of a committee of 60 persons named by the Governor of Oregon to a Willamette Valley Project Committee.

It was the purpose of that committee to set up a flood control program through construction of several storage dams. The stored water, 1,340,000 acre-feet, would be released later in the year to aid in navigation, irrigation and stream purification. As a side-line power was to be developed, if and when there was a market. Before the dams were built, there was a power shortage and now two of the dams are nearing completion and will soon furnish 200,000 kilowatts of energy.

That committee started at the grass roots, operating on a voluntary basis with the Army Engineers. The engineers designed the project and then it was approved by the Army Engineers Board. Three storage dams were built before the war and are for the protection of the lower river against floods and to hold water for irrigation.

In the early history of this project we had to go to ten county courts and obtain appropriations each year to pay necessary overheads, such as a salary for a part-time secretary, and his traveling expenses. Others worked on the committee without an expense account. Later the Legislature set up the committee under the title of the Willamette River Basin Commission.

This is my idea of grass roots promotion of the things the people think are best for their own communities rather than thought best by the planners in Washington who would design a program to sell us at the local level.

I strongly believe in the local people helping themselves so far as possible, and, if that help is beyond their means, then they may appeal to the Government for assistance on a project that is of itself of a self-liquidating nature and beyond their local capacity.

The Multiple-Purpose Dams

President Eisenhower and I are in agreement on this. In a speech in Sacramento, Calif., last October he referred to the multiple-purpose dams and said:

"As we go ahead in the development of multiple purpose dams and all of the other kinds of projects that are needed in industry and in the development of natural resources, the one thing that we insist upon that is different from the opposition is a very vital one.

"We insist that this must be done through partnership, through first of all getting the wisdom, the power and the facilities that are available in the locality and bringing in the Federal Government, not as a boss, not as your dictator, but as a friendly partner ready to help, and to get its long nose out of your business as quickly as that can be accomplished.

"We hold that these great

Continued on page 20

*An address by Mr. McKay before the American Public Power Association, Boston, Mass., May 14, 1953.

Missouri Brevities

The Board of Directors of **F. Burkart Manufacturing Company** have voted to liquidate the corporation. Liquidation will be on a basis assuring every shareholder cash payment of $31.50 per share. In the meantime, two dividends of 50 cents per share will be paid, the first payable June 12 to stockholders of record June 2, and the second payable on or about Sept. 1, 1953. It is contemplated that the liquidation be substantially accomplished shortly after the close of the company's fiscal year, Nov. 30, 1953.

The F. Burkart Manufacturing Company has executed a contract with Textron Incorporated, a Rhode Island corporation. This contract is subject to the approval of the F. Burkart Manufacturing Company stockholders at a meeting which will be called in the very near future.

The contract provides for (1) The sale of the company's inventories, land, buildings, machinery, equipment and other fixed and operating assets, liquidation of its receivables and the reduction of all of its assets to cash and the distribution of the same as soon as possible to its shareholders in liquidation to realize $31.50 per share after the above-mentioned cash dividends have been paid, and (2) The continued operation of the business of the company as a division of Textron Incorporated and the employment of the company's personnel by Textron Incorporated.

* * *

President James S. McDonnell, Jr., of the **McDonnell Aircraft Corporation** of St. Louis, Missouri, has announced that the company's earnings after taxes were $2,719,027 for the nine months ended March 31, 1953, being the first nine months of the company's fiscal year 1953, compared with $1,782,524 for the first nine months of the previous fiscal year.

Mr. McDonnell pointed out that the figures reported for the first nine months of fiscal 1953 were based on unaudited interim financial statements. These earnings were after deducting $876,686 amortization on emergency facilities in addition to normal depreciation.

* * *

Empire District Electric Company, Joplin, Mo., increased operating revenues 7% in the first quarter as compared with a year ago notwithstanding a substantial curtailment of mining operations resulting from the drastic decline in the prices of lead and zinc. Operating costs were affected by the shortage of water due to drought conditions in recent months resulting in a reduction of hydro generation and requiring larger amounts of steam generation and purchased power.

* * *

Net income of **St. Joseph Light & Power Co.** of the three months ended March 31, was $241,565, equal, after preferred dividends, to 69 cents a common share, compared with net of $217,233, or 63 cents a share, a year earlier.

Revenues were $1,894,436, against $1,792,507. Operating expenses were $1,043,403, against $1,048,394. Income taxes amounted to $258,333, against $211,097.

For the 12-month period ended March 31, the common stock had earnings of $2.27 a share, against $2.11 a share a year earlier.

* * *

Kansas City Southern Railway Company and its wholly-owned subsidiary, Louisiana & Arkansas Railway, had an exceptionally good first four months' operations, with revenues rising 8% and net earnings up 22% over the like 1952 period.

The marked improvement was disclosed by W. N. Deramus, President, at the annual stockholders' meeting in Kansas City, May 12.

Mr. Deramus, however, told shareholders that the 4-month showing was better than had been expected and a leveling off of the gains could be expected in the months ahead.

"By the end of the year the consolidated statement of the two roads should show earnings about the same as reported for 1952," Mr. Deramus said.

Net income for the system last year was $10,206,606, equal after preferred dividends, to $18.36 a share on the outstanding common.

* * *

Kansas City Public Service Company's net income for the first quarter of 1953 amounted to $103,789, compared with earnings of $39,681 a year earlier. Revenues were $3,104,748, or $932 less than a year earlier. Total operating expenses of $2,979,114 were down $17,311 from a year before. Nonoperating income jumped to $127,272 for the quarter, compared with $5,098 a year earlier. Income taxes were $124,318 against $43,850.

* * *

Missouri Utilities Company had first quarter net income of $157,538, equal to 50 cents a share on the common stock, compared with $135,393, or 45 cents a share on a smaller number of shares outstanding a year earlier. Revenues were $1,372,163, against $1,275,543.

* * *

Western Insurance Securities Company and its subsidiaries, the Western Casualty and Surety and Western Fire Insurance company, reported consolidated net income of $331,689 for the first quarter, compared with $77,000 in the like 1952 period.

The 1953 earnings included $91,689 of equity in the increase in unearned premiums, but did not take into account unrealized decline in market value of securities amounting to $70,289.

Earnings, after preferred dividends, were equal to $9.17 a share on the class A stock outstanding, compared with $1.90 a share in the like 1952 period.

* * *

Central Surety and Insurance Corporation reported net premiums written in the first quarter of 1953 were $2,877,777, compared with $3,050,987 a year earlier. The decrease was due to reducing writings in unprofitable lines.

Net income for the period was $30,146, compared with $129,059.

Directors voted the usual quarterly dividend of 50 cents a share, payable May 15 to holders of record May 5.

The March 31 statement showed reserves for claims and losses of $6,958,197, against $6,774,839 a year earlier. Reserve for unearned premiums were $6,423,278, against $6,250,884. Surplus was $3,728,907, compared with $3,772,187. Total admitted assets were $19,521,000, including $978,917 in cash, $15,417,587 in bonds and $1,302,652 in stocks.

* * *

Employers' Reinsurance Corporation showed a net increase in surplus, after dividends paid, for the three months ended March 31 of $659,127, compared with an increase of $636,417 a year earlier. Surplus to policyholders was $10,734,904.

The underwriting profit for the period was $368,177, against $123,120; investment income was $260,251, against $251,099.

The company reported a drop in the market value of its securities of $119,882, but this was more than offset by a gain of $230,641 in the change in equities, the latter partly reflecting a release of unearned premium reserve.

Premiums written for the quarter were $3,833,381, compared with $4,021,344.

Wall St. Riders Announce Winners

At the recent end of the indoor riding season of the Wall Street Riding Club Inc. Competition the following were winners of first ribbons with accompanying trophies:

Intermediate Horsemanship — Mrs. Fred Kocke.

Advanced Horsemanship —Gerhard H. Struckmann.

Bareback Horsemanship — Mrs. G. H. Struckmann.

Pair Class—Mrs. J. Correll & Mrs. F. Knocke.

Club holds regular rides during winter season—September to May —at Claremont Riding Academy, 175 W. 89th St., New York, every Friday night at 9:00 P. M.

The aim of the club, as is known, is to promulgate better riding among adults and at present some openings in the membership are available to experienced riders. Contact Gerhard H. Struckmann, President, care of Bank of Manhattan, 40 Wall St., New York.

A. A. Murray Opens

DETROIT, Mich. — Arthur A. Murray is engaging in a securities business from offices at 117 Michigan Avenue.

Connecticut Brevities

The annual report of **Great American Industries, Inc.**, shows that sales for the year 1952 increased to $20,345,000 from $13,226,000 the year before and that earnings per share were $1.66 compared to 69 cents. Net profits for the year were not subject to Federal income taxes due to credit carry-over from previous years. The largest part of the sales gain was accounted for by the Rubatex Division which supplies fabricated parts, gaskets, seals, and weatherproofing for automotive, air conditioning, refrigeration, and shoe industries.

* * *

The Connecticut Power Company has extended its $5,000,000 short-term note, placed in 1952, from Dec. 31, 1953 to April 1, 1954 and has obtained an additional $4,000,000, also payable April 1, 1954, from various banks. Both loans, bearing interest at the rate of 3¼%, are expected to be financed on a long-term basis in 1954.

* * *

The first quarterly report of 1953 for **The Yale & Towne Manufacturing Company** shows that sales for the period were approximately the same as a year earlier but that profit margins rose slightly and earnings per share increased from $1 to $1.14 per share. The report stated that incoming orders in recent months have been above billings, with a resulting increase in backlog. On March 31, the company sold to an insurance company $10,000,000 of 20-year 4% serial notes. Part of the proceeds were used to liquidate the $7,000,000 short-term bank notes and the remainder will be used in connection with the long-range expansion and improvement plan.

* * *

Bridgeport Brass Company has awarded a contract for construction of a new plant in Bridgeport at a total cost of about $5,000,000. The building, to be used as a mill to produce tubing, will be 800 feet long and 160 feet wide.

* * *

General Dynamics Corporation has registered for public sale 250,000 shares of new common stock, of which about 25% will be offered in Canada and the balance in the United States. Proceeds will be used to retire bank loans obtained in connection with the purchase of 400,000 shares of Consolidated Vultee Aircraft stock from Atlas Corporation.

* * *

The Connecticut Pubilc Utilities Commission has authorized **The Greenwich Gas Company** to issue $200,000 of First Mortgage Bonds, due June 1, 1971, and bearing an interest rate of not to exceed 4½%; and also common stock to the extent of $483,000 at the book value or $6.40 a share, whichever is higher. The bonds will be placed privately while the common will be offered to stockholders and then to the public. Net proceeds are to be used to pay bank loans in the amount of $500,000 and to finance the estimated construction program for the balance of 1953 and the early part of 1954 to the estimated amount of $118,000.

* * *

The Sikorsky Aircraft Division of **United Aircraft Corporation** has acquired options on 200 acres in a residential zone in Milford, Connecticut, as a possible site for a large new plant to produce helicopters. Rezoning will be necessary to make the site available for industrial use. The parent company announced that as of March 31, 1953 unfilled orders were $1,460,000,000.

* * *

Segal Lock & Hardware Company has recently acquired General Electrosonics, Inc., which is engaged in development and manufacture of specialized electronic equipment.

* * *

Hartford Electric Light Company is among 12 companies which have joined with Dow Chemical and Detroit Edison in a joint study with the Atomic Energy Commission of the possibilities of developing a nuclear reactor to produce power. The total number of companies participating in the project is now 25.

Foreign Exchange Quotations Compiled

Manufacturers Trust Company is distributing a new edition dated May 1, 1953 of its "Foreign Exchange Quotations" folder. The folder lists current quotations of the currencies of 144 countries throughout the world. It also contains two tables—one devoted to shillings and pence and one showing the decimal equivalents of common fractions.

Copies are available at the bank's Foreign Department, 55 Broad Street, New York 15, N. Y.

Neuberger & Berman To Admit Partners

On June 1 George P. Davis, Jr., and Samuel Z. Wormser will be admitted to partnership in Neuberger & Berman, 160 Broadway, New York City, members of the New York Stock Exchange. Both have been associated with the firm for some time.

J. Walter Bell in Hospital

J. Walter Bell who has been conducting a bond brokerage business for the past fifty years servicing dealers and banks over the country had a paralytic stroke on March 2, and has been confined to St. Vincent's Hospital, New York City until the last few days. The stroke was not a heavy one but has put Mr. Bell out of business for the past two months and it will be several months more before he can resume business on any scale whatever.

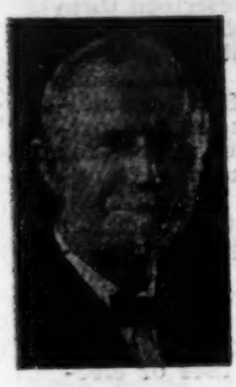
His business has been practically a one man affair and he has been unable to supply quotations on any of the bonds usually handled by him.

The Housing Problem

By ROGER W. BABSON

Mr. Babson expresses belief rents will not skyrocket because of the removal of controls, due to the supply of new houses. Sees housing demand and supply related to the business cycle, and says there have been more new housing starts than new families. Looks for more moves to the suburbs.

Many of my readers fear that if rents are decontrolled in certain areas where they are still under control, rent prices, like the prices of coffee, will skyrocket. I don't believe this will happen today. Here's why:



Roger W. Babson

Ever since 1940, fewer and fewer rental units have been constructed. Fifty-five per cent of all housing units now in existence are owner occupied, compared with a 45% home ownership just before World War II. This trend has increased even more sharply in the last three years, so that in 1951-52 only 12% of the new housing starts were rental units.

Despite the fact that new rentals have decreased sharply, I believe the supply will be sufficient to satisfy demand and, therefore, keep rental prices down. My reasons for this belief come from the fact that the building market since 1946 has been an ownership market. The desire for ownership is inherent in democracy. It has been stimulated by such factors as (1) the high income levels of the war and postwar years, (2) the accelerated rate of marriages due to war, (3) the desire to "undouble" and have a home of one's own after the war, and (4) the threat of atomic warfare and industrial decentralization, causing a shift to suburban living.

Housing Demands and the Business Cycle

Full employment and high wages go hand-in-hand with new housing starts. Barring war, we may have reached the peak of both the employment and the building boom. New household formations, due to marriages and setting up of independent family units, remained far ahead of the residential building rate from 1930 to 1950, with new housing starts about four and one-half million behind family starts. However, since 1946, new housing units have been at an average rate of one million per year, and, for the last three years, there have been more new housing starts than new families.

The demand for new homes could soon taper off because of the low birthrate that prevailed from 1930 to 1938. It is these few depression babies who are now approaching marriageable age. This factor, plus the return to business normalcy (lessened demand for goods, lower wages, and less employment), could ease the housing situation.

Rental Costs and Decontrol

While the earnings of most industrial workers have risen over 200% since 1935-39, rents for moderate-income families have increased only 40% during these years. On the other hand, prices of many other commodities and services have increased about 100%. Monthly middle-class rentals in 14 leading metropolitan areas averaged $93 in 1950. Today the average is $100. With average rentals of $100 and average annual incomes of $5,000, renters are paying about 24% of their gross income for housing. This is a fair percentage.

The group that might feel the pinch most if rent controls were lifted in restricted metropolitan areas would be the lower-income city dwellers, who pay about 15% of their gross earnings of $3,000 to $4,000 on contract rent. In nine cities, decontrolled in 1950, gross rents increased on an average of 15% by 1952.

City versus Suburban Rents

Suppose that controls were lifted in presently controlled city areas and rents did go up 15% per month, what then? This would bring rentals for low-income city dwellers up to about $50. Since landlords cannot afford to build houses to rent for even $50 per month, many will move to the suburbs and buy a small house.

Hence, the demand for small suburban ownership homes might remain high, with as many as could afford it moving out of the large cities to live in their own small new houses. This, in turn, might leave more rental units available in the cities. As more such rentals became substandard, city rental prices could even decrease and would, therefore, be little affected by decontrol. Suburban rentals could, however, be expected to hold their own and, in some areas, increase slightly, as long as business holds to present levels.

Joins Barbour Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Alan B. Gilman has joined the staff of John M. Barbour & Co., Citizens Bank Building.

With Neergaard, Miller

(Special to THE FINANCIAL CHRONICLE)

ORMOND BEACH, Fla.—Henry DeMeester has become associated with Neergaard, Miller & Co. of New York City. Mr. De Meester was formerly in the investment business with offices in Fairlawn, N. J.

Warren S. Yates Joins Merrill Lynch

CHICAGO, Ill. — Warren S. Yates has become associated with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building, is manager of their municipal bond department in Chicago, Homer P. Hargrave, resident partner, announced. Mr. Yates was associated with C. F. Childs & Co. for 18 years and for 10 years as an officer. He was previously with Wood, Gundy & Co. as manager of their municipal bond department. He is a native of Chicago and a graduate of Northwestern University.

Business Outlook Requires Both Caution and Confidence

By MARTIN R. GAINSBRUGH*

Chief Economist, National Industrial Conference Board

Dr. Gainsbrugh evaluates elements of strength and weakness in current economy, and finds that many of the factors of weakness in situation are still of a contingent nature. Holds current statistical and economic knowledge is a factor leading toward more business confidence.

This evaluation of elements of rength and weakness in the conomy currently makes a very spectable case for caution about ne year-end osition of usiness. At he same time, any of the merging factors of weakess are still f a contingent ature. They o not yet ecessarily nply a significant or substantial downurn or recession in general business ctivity.

M. R. Gainsbrugh

Under the influence of defense, e have again expanded our labor rces beyond normal dimensions, nd the length of the work week also somewhat higher than that revailing even under boom conitions in peacetime. Readjustments in the months ahead therere may enable us to work our ay toward sustainable full emloyment with better balanced rice-exchange relationships (between the farm and nonfarm opulation, for example) than hose prevailing in the first three ears of defense. We currently ave only about one and one-half illion unemployed, the bulk of his being frictional, that is movng freely from one job to another, ith only limited time lost between jobs. Only a sixth of the umber reported unemployed in pril had been without jobs for hree months or more. There is eneral agreement that a labor loat of two and one-half-three illion would be more consistent ith our present labor force, asuming that defense requirements iminish. Some of the temporary ecruits to the labor force under he stimulus of defense would reire, returning to their household uties or to schools under full mployment conditions ex-deense. Unemployment in the favrable labor market of 1950 averged about three million, or 5% f the civilian labor force. The ength of the work week in manuacturing is also currently one our greater than pre-Korea. The ombined influence of a return to normal work week and a normal abor float thus leaves considerble elbow room in the labor arket for adjustment to a full, s distinct from hyper-full, emloyment, without connoting despread injury to the regular embers of the labor force.

ements of Strength in Situation

Moreover, there are a number elements in the business sition which will resist the culation of a downturn into a ession.

(1) Despite admittedly high els of current consumption, the sonal saving rate is still abmally high by prewar stands. The purchasing power of uid asset holdings of individs is also high. Even granting t the credit market may have weakened conspicuously by the end of the year, retail trade in general need not subside dramatically. There is a strong likelihood that if income in other than consumer industries were to decline, part of the shock would be absorbed by a decline in the saving rate, rather than in spending. And it might be added that the decline in spending is likely to be concentrated in durables. Makers of soft goods have enjoyed less of an expansion in the past nine months, and they may reasonably look forward to a lesser contraction in any readjustment at the end of the year.

(2) The possibility cannot be entirely dismissed that some tax reductions would accompany a decline in Federal spending, particularly if the business trend is downward. While consequences of such reductions are impossible to measure in the abstract over the next fiscal year, they should act in the direction of supporting both capital goods and consumer goods markets. Relief from excess-profits taxes, for example, could bring in its wake lower prices for some consumer durables, particularly cars.

(3) Defense itself will remain as a source of market demand of perhaps declining relative importance for several more years. While its declining trend may precipitate fluctuations in nondefense industries, its relatively high level will help to keep these fluctuations within relatively narrow limits. Expenditures for total national security (including atomic energy, mutual security, merchant marine) would continue several billions above the prospective total of $40 billion for defense alone in fiscal 1955, according to Secretary Wilson's recent statement.

(4) The construction industry continues to run at a pace about 5% ahead of last year, and there is no indication as yet that this pace will fall off materially. Demand for public works construction by state and local governments remains as one of the great postwar backlogs for which the end is not yet in sight.

(5) Finally, there are two intangibles to be entered on the assets side. Removal of direct controls has restored to the business system its traditional flexibility. Along with this, the expanded supply of key materials, under the driving force of competition, should bring into the market a whole new series of consumer and capital goods products that have been developing in business laboratories since the Korean war. Secondly, the confidence which business places in the new Washington Administration provides new incentive for planning and growing under an economic environment favorable to business enterprise. Capital investment programs are likely to be better substained than in past downturns, both because of the greater prevalence of long-term capital budgeting and because of the demonstrations of longer-run market potentials which have emerged from the several studies of population and related measures contributed by our profession. The improved state of economic and statistical knowledge about the current strengths or weaknesses of the various sectors of our economy is another factor contributing toward business confidence. In a real sense, therefore, I think that this confidence should act to limit extreme reactions of business if a temporary downward trend in business conditions develops in the closing months of 1953.

*Summary of an address by Dr. Gainsbrugh before the Annual Business Meeting of the New York Chapter of the American Statistical Association, New York City, May 15, 1953.

Continued from page 17

Public Power Is Here to Stay

projects are far better planned, developed and operated with the full cooperation and wisdom of the local authorities than they are by putting them exclusively under the direction of some long-haired bureaucrat sitting behind a desk in faraway Washington, D. C."

I am pleased to note that the policies adopted by your organization in your Seattle Convention last year are fully in accord with that statement. At that time one of your resolutions stated that the Department of the Interior should adopt a policy which would encourage the preservation and expansion of local public power agencies to the end that the maximum of local control is maintained; that local public power agencies should construct necessary transmission lines and steam generating stations to properly serve their area, to the extent they found it possible; and that there should not be restrictions and limitations in their contract with the Federal Government which tend to centralize control in Washington and prevent the management of their own affairs.

As Secretary of the Interior, I appreciate the offer of cooperation toward these ends in solving this mutual problem.

Must Start With Conditions As They Are

When this Administration came into power, it was not possible to approach these problems in the light of what we might have done, had not a Federal pattern been already set. We must start at the point of conditions as they are. If we find unfortunate trends, then it is incumbent upon us to establish new trends that will lead us in what we believe is the right direction.

We have, by inheritance, in the Department of the Interior, a Federal power structure that was conceived, I suspect, with one idea in mind, that of a completely federalized electric generating system, a Government monopoly in large areas of the United States. We find that the Bonneville Power Administration, the Bureau of Reclamation, the Southeast Power Administration and the Southwest Power Administration have all been expanded beyond the bounds which were originally set as their goal; that is, as measured by the conception of the present Administration.

We all know that water is our greatest natural resource. We are all dedicated to the proposition that the best and most efficient use of water is our ultimate goal. We should not deviate in any way from achieving this goal. As we look at our rivers, or at least most of them, we see water flowing wastefully into the sea during most of the seasons, and during the flood season destroying millions of dollars worth of property. To conserve and gain the best use of that water, we must harness it and put it to work. The big multiple-purpose dams you will find on the large river systems comprising flood control, navigation, municipal water requirements for health and sanitation, irrigation, benefits to fish and wildlife and hydroelectric power, all confer benefits over a very wide area. There are so many of them that there is no means of charging them directly to the people benefited or of directly taxing for their support. Their magnitude is such that they do not lend themselves to private enterprise. If we are to achieve all of the benefits from them, the program must come in the form of a Federal project. It is beyond the capacity of private enterprise, because private enterprise cannot assume all these indirect and public benefits. They are frequently beyond the capacity of State and local government, because of the large geographical area involved.

It should be our objective in these multiple-purpose reservior projects to utilize this water resource to the maximum in the generation of hydroelectric power, so far as that can be done, without taking away what we need for consumptive purposes, such as reclamation, municipal water and other uses in that category.

When that power is generated by the Federal Government, the question arises as to how it should be disposed of. Congress through the years has established rules and regulations for us. One of these rules is the preference clause which gives certain marketing agencies a priority classification. The administration of this priority classification, however, poses many difficult problems. For instance, the administration of the preference clause in some instances has been out of order when it has been used to compel changes in the organizations that distribute power at retail in local communities.

The preference clause has been used as an implement for the Federal control of power rates and management at the local level. I am convinced that this practice is not in keeping with the intention and purposes of the preference clause. Federal power should be brought into communities and distributed by whatever retail systems prevail in the community at the time the power is available. If preference customers are there and ready to buy power, they should be so recognized and be given the power they require. That power should be sold on the basis of long-term contracts, and by the same token the remaining power should be made available to other customers in the area, also on the basis of equally long-term contracts.

There is another aspect of the preference clause. This is one that is certainly not in keeping with sound business judgment. It has been the effort and ambition to extend transmission lines all over the country, solely for the purpose of serving preference customers that are beyond reasonable marketing distance from the source of power. These are matters that can be changed by the administration of the Act. Once we depart from the conception of a Federal power monopoly, tied into local public power which can later easily be taken over by the Federal wholesale power system, we should be on the path of eliminating many of the disturbing consequences that the Federal power system has brought to our States and communities.

A Reversal Is "Out of the Question"

Turning back all of our Federal power systems to private enterprise, in my judgment, is out of the question. It would be a grave policy error to support that type of program. All our people, I am sure, agree that when the Government produces hydroelectric power, that power should be available to all the people. Whatever we may say about the efficiency of private enterprise in the distribution of electric energy, neither this Administration nor any other should turn our federally produced power projects over to private business. As for me, I have no intention of being a party to turning any of these federally built projects to private operations.

We will continue within the limits that the national budget will permit with construction of such of these projects as are economically feasible and fall in the proper category of Federal projects, as I have described them heretofore. We will encourage to the utmost extent possible the construction and management of facilities by the State, municipalities, public agencies and private enterprise. I am neither for nor against either private or public power. I believe both of them have their place in the American plan of life. Our primary purpose will be the orderly and systematic development of our national resources, the increase of our power capacity, and the development of the uses of electricity.

As Assistant Secretary for Water and Power there is Fred G. Aandahl, the former Governor of North Dakota and Congressman from that State, who has taken to his job like a duck to water.

And as for Solicitor, I have at my right hand an old friend of yours, Clarence A. Davis, whose reputation in the field of public power is known to all of you.

This is the team that will give their best efforts toward trying to solve the enormous problems that confront the Department of the Interior. I am sure that time will show their judgment to be in the best interests of all the people. We will go forward with the program that is economically sound in a working partnership with all others interested in this great field of resource development. We have only begun things which over the years the country will achieve.

Ralph Henderson to Be Bache Co. Partner

TORONTO, Ont., Canada — Ralph G. Henderson will become a partner in Bache & Co., members of the New York Stock Exchange and other leading exchanges, as of June 1st. Mr. Henderson will make his headquarters at the firm's Toronto office, 36 Melinda Street. He was formerly resident manager for Collier, Norris & Quinlan.

Boston Inv. Club to Hold Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Monday, May 25th at 5 p.m. Principal speaker will be Arnold Bernhard, President of the Value Line Investment Survey. His subject will be "Stock Prices."

With Semple-Jacobs

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Jack A. Cranswick has joined the staff of Semple-Jacobs & Co., Inc., Landreth Building.

Stix Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Mrs. Madeleine M. DeKins is with Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange.

John F. Sammon to Be W. L. Burton Partner

J. F. Sammon

John F. Sammon will be admitted to partnership in William L. Burton & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on June 1st. Mr. Sammon has recently been associated with Andrews, Posner & Rothschild, and prior thereto conducted his own investment business in New York City.

Halsey, Stuart Group Offer Met. Edi. Bonds

Halsey, Stuart & Co. Inc. and associates yesterday (May 20) offered $8,000,000 Metropolitan Edison Co. first mortgage bonds, 3⅞% series due May 1, 1983, at 101.335% and accrued interest. The group won award of the issue at competitive sale on May 18 on its bid of 100.6699%.

Net proceeds from the sale of the bonds, together with funds received from the prior or simultaneous sale of 32,500 additional shares of common stock to the company's parent, General Public Utilities Corp., and from bank loans proposed to be effected during 1953, will be used by the company to reimburse its treasury for expenditures made prior to Jan. 1, 1953 for property additions. The balance will be applied to the cost of the construction program subsequent to Dec. 31, 1952, to the repayment of short-term bank loans, and to the reimbursement of the treasury for expenditures subsequent to Dec. 31, 1952.

The bonds will be redeemable at the option of the company at regular redemption prices ranging from 104.34% to par, plus accrued interest.

Metropolitan Edison Co. operates wholly within the Commonwealth of Pennsylvania and is engaged principally in the business of generating, distributing and selling electric energy. It also produces and sells steam for heating. Territory served by the company comprises an area of about 3,274 square miles with a population of approximately 700,000. Total operating revenues for 1952 aggregated $35,042,567; gross income was $7,905,395 and net income was $6,637,686.

Three With Davies Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Alfred H. Raubitschek, Leon A. Rettenmaier, and James M. Sorenson have become affiliated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Exchanges.

With Somerset Secs.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Carol J. Ginnever is with Somerset Securities Corporation, 235 Montgomery Street.

Two With A. M. Kidder

(Special to The Financial Chronicle)

WINTER PARK, Fla.—Herman A. Depperman and Harry J. Marshall have become associated with A. M. Kidder & Co.

D. D. Sayer Jr. Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—D. D. Sayer, Jr. is engaging in a securities business from offices at 318 North Camden Drive.

Bankers Offer Pacific Gas & Elec. Co. Bonds

The First Boston Corp. and Halsey, Stuart & Co. Inc. and associates yesterday (May 20) offered $65,000,000 Pacific Gas & Electric Co. 4% first and refunding mortgage bonds, series V, due June 1, 1984, at 101.78% and accrued interest. Award of the issue was won by the group at competitive sale on May 19 on its bid of 100.9099%.

Net proceeds from the sale of the bonds will be added to the company's treasury funds to be used to retire short-term bank loans in the amount of $43,000,000, incurred in connection with the company's construction program, and in the financing of a part of the construction program.

The bonds will be redeemable at prices ranging from 105½% to par, plus accrued interest.

Pacific Gas & Electric Co. is engaged principally in furnishing electric and gas service throughout a large sector of northern and central California. It also distributes and sells water in 17 cities and towns and certain rural areas, and produces and sells steam in certain parts of San Francisco and Oakland. The company's electric transmission system is interconnected and supplies distribution systems extending into 46 counties of the northern and central parts of California. It distributes electric energy in 156 incorporated cities and towns, about 225 unincorporated communities and an extensive rural area. In 1952, the company's electric distribution system served 1,459,325 customers. Gas is distributed in 117 incorporated cities and towns, about 85 unincorporated communities and a number of rural areas, in most of which electric energy is also distributed. Gas customers last year numbered 1,147,924. Revenues from sales of electric energy last year accounted for 65.5% of gross revenues, while income from gas sales amounted to 34% of overall income.

V. T. Smith Opens

ROME, N. Y. — Vernelle T. Smith has opened offices to conduct a securities business.

Herget and Purcell With Frank Knowlton & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Ralph W. Herget and William H. Purcell have become connected with Frank Knowlton & Co., 465 California Street. Mr. Herget was formerly with Hannaford & Talbot and Wilson, Johnson & Higgins. Mr. Purcell was with Stewart, Eubanks, Meyerson & York and prior thereto with Wilson, Johnson & Higgins.

Joins Bache Staff

PALM BEACH, Fla. — Philip Fink has been added to the staff of Bache & Co., 271 South County Road.

Britain Disillusioned By "Trade—Not Aid"

By PAUL EINZIG

Dr. Einzig, commenting on a year's lapse since the "Trade—Not Aid" slogan was originated by Britain's Chancellor of the Exchequer, finds his country disillusioned and disappointed by the unwillingness of the United States to admit more British and other foreign goods. Looks for reduced financial aid by the United States as foreshadowing its eventual termination.

LONDON, Eng.—It was about a year ago that Chancellor Butler launched out his new slogan of "trade not aid." The policy characterized by this slogan aimed at increasing Britain's trade with the Dollar Area so as to be able to fill the dollar gap without American financial assistance. To that end it was necessary to bring inflation in Britain to an end, in order to be able to reduce consumption and thereby to produce an adequate exportable surplus at competitive prices. It was equally necessary, however, to induce the United States to be willing to accept British goods offered at competitive prices. Beyond doubt a fair progress was made in the execution of the first part of the program. Even though Mr. Butler's claim that inflation in Britain has been brought to a standstill appears to be much too optimistic, it is impossible not to recognize the improvement. Unfortunately even if the progress had been much more extensive it would not have helped much towards the achievement of the second part of the program.

Dr. Paul Einzig

In a speech in the House of Commons on May 8, Mr. Butler frankly admitted that the government was disappointed in this respect. He quoted the instance of the Chief Joseph Dam contract which, according to Mr. Butler, has caused disillusionment. Although he reaffirmed the government's determination to proceed with the policy aiming at convertibility, it is now evident to everybody that any progress in that direction is handicapped by the unwillingness of the United States to admit more British and other foreign goods.

The importance attached to this matter in London is indicated by Mr. Butler's remark: "What is the use of building up defense forces, going to meetings at N.A.T.O., and in other ways trying to make a combined foreign policy, unless our economic and financial policies were united and we bridged the dollar gap?" He did not give up hope, however, that things may go better after the new United States Administration has overcome its initial difficulties. Others in London are less optimistic. There is a widespread feeling that the Chief Joseph Dam case indicates a definite trend towards a reinforcement of American protectionism instead of its much-hoped-for relaxation.

At the same time there are also indications that the United States are growing tired of giving foreign financial aid. The cut in the foreign aid program foreshadows its eventual termination, or at any rate its reduction to a level at which the dollars provided would not cover more than a fraction of the present dollar gap.

Hitherto the United States pursued consistently an "aid not trade" policy. Rather than allow Britain and other countries to pay for the American goods they imported by means of increasing their exports to the United States, the Washington Administration, Congress and American opinion preferred to make a free gift of the export surpluses in the form of Marshall aid and military aid. This attitude has for many years puzzled the British mind. People on this side of the Atlantic find it difficult to understand why the American taxpayer is prepared to pay for American exports instead of insisting that the buying countries should be given a chance to pay for them themselves, in the only form in which payment can be made in the long run.

Viewed from this side it now seems that the American taxpayer is at last inclined to assert himself. This change of attitude cannot alter, however, the laws of simple arithmetic and if the United States were to continue to have an export surplus that surplus would remain unpaid unless dollar aid is granted. In the absence of dollar aid foreign countries will be compelled to cut down their imports from the United States. To some extent the dollar gap may be financed by gold shipments, though owing to the artificially low dollar price of gold this item is abnormally small. Nor is there any reason to expect that American private investors would be willing to cover a large proportion of the uncovered dollar requirements. For years there has been much talk about American investment abroad as the solution of the dollar gap problem but the actual extent to which intentions have been translated into action has so far been negligible.

It seems, therefore, that as a result of the reduction of American aid and in the absence of a favorable change in American trade policy there is bound to be a contraction of trade between the United States and the rest of the world. As the United States has rejected "trade not aid" and also "aid not trade," the result is bound to be "neither trade nor aid." In spite of Mr. Butler's assurances that Britain would continue to aim at multilateral trading it will be inevitable for her and for other countries to balance their trade with the United States on a bilateral basis by cutting down their dollar imports to the level of their dollar exports.

This will be done all the more easily as a very large part of dollar imports consists of nonessential goods. If American tobacco growers, the Hollywood film industry and manufacturers of a thousand gadgets which, however useful, are not indispensable, realized what the future holds for them they would take a more active interest in the shaping of American trade policy and aid policy. On the basis of the existing system they had no cause to worry up to now. Although their exports encountered resistance from time to time, on the whole they have been able to maintain their overseas markets remarkably well in the circumstances. Somehow they have always received payment in the end, so that there has been no need for them to worry how the importers have procured the necessary dollars to pay for their goods. Under the "neither trade nor aid" policy they are bound to lose markets. Their only hope lies in persuading the Administration and Congress that for the sake of enabling them to maintain their markets the countries importing dollar goods should be enabled to export to the United States.

The conflict of interests is no longer between American exporters and the American taxpayers but between American producers producing for the domestic markets and those producing for foreign markets. Very often the industries and even the firms are identical. They produce both for home consumption and for foreign consumption. A realization that it is impossible to have it both ways should go a long way towards making possible a common sense solution.

O. D. Griffin to Join J. W. Sparks & Co.

O. D. Griffin will become associated with J. W. Sparks & Co., 50 Broadway, New York City, members of the New York and Philadelphia-Baltimore Stock Exchanges, as of May 25th as manager of the New York trading department. Mr. Griffin has conducted his own business since 1950 and prior thereto was with Lord, Abbett & Co. as Vice-President in charge of trading.

O. D. Griffin

Arnold Bernhard & Co. Promotes Five

It was announced by Arnold Bernhard & Company, Inc., 5 East 44th Street, New York City, that Walter C. Boschen, Managing Editor of the Value Line Investment Survey, was elected Vice-President. Mr. Boschen, a director of the firm, has been associated with Arnold Bernhard & Co. for eight years. It was also announced that Marjorie Crough, formerly Assistant Managing Editor of the Value Line service, was elected Director and Vice-President in Charge of Business Administration. Harold Benjamin, Director and former Comptroller, was elected Treasurer, and Alfred Stern, the firm's Chief Accountant, was elected Director. Mrs. Josephine Murcek, formerly Assistant to President, was named Assistant Vice-President in Charge of Production.

Goodbody Co. Opens Branch In Houston

HOUSTON, Tex.—Goodbody & Co., members of leading security exchanges, has announced the opening of a new branch office in Houston, Texas, with John A. Thackston as manager. Mr. Thackston formerly conducted his own investment business in Knoxville, Tenn.

Associated with Mr. Thackston will be Jack D. Isbell and John S. Weatherston. The new office will be located at 2811 Gulf Building. Mr. Weatherston was formerly with Stone & Webster Securities Corporation in Chicago.

This will bring to 28 the number of branch offices of Goodbody & Co. which was established in 1891 and maintains its main office in New York City.

The Houston office will make available in this area the investment publications of the firm's well-known Research Department, facilities on principal stock and commodity exchanges and an active trading department in unlisted securities.

No Need for Defense Stretch-Out: Keyserling

Former Chairman of Council of Economic Advisers says nation can bear strain of defense outlays, and it is a serious economic error to make size of security efforts to turn primarily on balancing the budget.

In his second radio address, delivered on May 12 over Radio Station WCFM, Washington, D. C., Leon H. Keyserling, Chairman of the Council of Economic Advisers at the end of the Truman Administration, scored stretching-out defense spending as not only unnecessary but also as harmful to national security. Holding "we can afford the price of peace," despite the strain on the national economy, the former "New Deal" economist stated:

Leon Keyserling

"The question of whether a defense program is seriously damaging the economy does not turn primarily on whether or not the budget is balanced. This is one test but it is not the main test. For example, if in a time short of total war, we were devoting half of our total annual product to defense and raising enough taxes to pay for it, the budget would be balanced, but our long-run economic strength and consequently our ultimate military potential would be seriously damaged. On the other hand, if we were spending only $5 billion a year for defense and raising only $3 billion in taxes to cover it, there would be a deficit, but I think most people would agree that this kind of operation would not be seriously impairing our economic strength. In other words, the main burden of the defense program upon the economy is measured by the amount of our productive resources that it diverts away from other purposes—away from industrial development, away from the consumer satisfactions that make up our standard of living, away from the fund of incentives that maintain our general economic progress. If this diversion is too great, prolonged and serious shortages aggravate prolonged and serious inflation, and the whole economy is seriously undermined.

"Now let us apply this test by looking honestly at the facts.

"In the first half of 1950, before the Korean outbreak, American consumers were buying goods and services at an annual rate of less than $210 billion, measured in current prices. Measured in the same prices, this consumer buying in the first quarter of 1953 had risen to an annual rate of more than $225 billion, and it is still rising. While buying more, consumers are also saving more. Even more important from the viewpoint of our basic economic strength, business investment in producer durables—the plant and tools which lift our productive power—are now running at an annual rate of about $27 billion, contrasted with less than $23 billion just before the Korean outbreak. Total private investment is running correspondingly higher. Thus, despite a rise in government outlays (at all levels) for goods and services, mostly because of the expanded defense program, from an annual rate of around $45 billion before the Korean aggression to more than $83 billion in the first quarter of this year, we have nonetheless had enough economic resources left over to raise the world's highest standard of living still higher, and to enlarge enormously year by year the productive facilities which underlie all our strength.

"Measured in uniform prices, our total annual output has risen from about $302 billion just before Korea to about $365 billion now. In short, our total production, at an annual rate, has risen more than $60 billion, while the increase in government expenditures due to the defense program has been less than $40 billion. These figures make it plain that our general economy is much stronger now than at the time of the Korean outbreak.

"This productive power, which I have frequently called the greatest non-secret weapon of the American economy, has completely confounded those who repeatedly during the past few years have doubted our ability to pay the price of peace. When it first became necessary in 1949-50 to lift defense spending about $13-14 billion a year, there were those who resisted on the ground that inflation was a greater danger to us than Stalin. I then stated that, while rearmament would impose some inflationary strains for a time, we could sufficiently increase production to solve this phase of the problem. This was scoffed at by many. But today, while the rate of defense outlays has tripled since early 1950, there has not been inflation since early 1951; and the inflation in late 1950 and early 1951 was not necessitated by rearmament, but instead was caused by the speculative buying of people who listened to the unwarranted assertions that the rearmament program would cause terrible shortages, and by inadequate preparedness to check this kind of sudden inflationary spurt. Inflation was never a greater danger to us than Stalin, and while Stalin is now dead, we are threatened now not by inflation but by the Soviets.

"In early 1952, some stretch-outs in the defense program were undertaken, partly on the ground that our economy could not stand the strain. It was said that, without such stretch-outs, the automobile industry would have to be closed down for lack of materials, and that housing would have to be cut to less than 600,000 units a year. These dismal estimates did not then seem to me consistent with the economic facts; and within a few weeks after the defense program was stretched out, credit regulations were relaxed to help the automobile industry sell the enormous amount of cars that it was making. Auto output is still terrific. And the home-building industry, which was supposed to be threatened with ruination unless the defense program was stretched out, built more houses in 1952 than in 1951, and in this year 1953 has been building more than in 1952—well over a million units in each year.

"In summary, neither investment nor business initiative, neither the growth of our productive power nor the improvement of our standards of living, has been impaired seriously by the burden of the defense program—and this burden has included the taxes collected to finance it. To be sure, we might have made even faster civilian progress if this burden had not existed, but the blue chips of national security cannot be bought for the price of cats and dogs."

With Standard Inv. Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—George W. McMullian has become affiliated with Standard Investment Co. of California, 87 South Lake Avenue.

This is National Steel

Industry finds greater utility and efficiency in National's Long-Span Multiple buildings

From coast to coast, companies seeking industrial plant expansion in a hurry are finding the answer in the Long-Span Multiple!

A product of the Stran-Steel division of Great Lakes Steel, originators and sole makers of world-famed Quonset buildings, the Long-Span Multiple is adaptable to any site or to any application. It is all steel, with straight side walls and arch roof for a maximum amount of unobstructed interior space. It is a quality building featuring arch ribs and trusses of famous N-A-X HIGH-TENSILE steel for long life, strength and economy. Surveys of businesses across the country show that the Long-Span Multiple can satisfactorily meet the requirements of over 80 per cent of manufacturing, light industry and warehousing operations.

All-steel buildings are only one of many National Steel products that serve many industries in many ways. In addition to National's large output of standard steels, its diversified operations provide special carbon steels for the automotive industry; tin plate for the canning industry; zinc-coated steel for the home appliance industry; low-alloy sheets and fabricated steel flooring for the railroad and trucking industries; steel framing for the building industry.

This, then, is National Steel—completely integrated, entirely independent . . . one of America's leading steel producers.

NATIONAL STEEL CORPORATION
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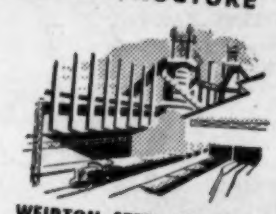

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Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

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Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset building and Stran-Steel nailable framing.

HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.

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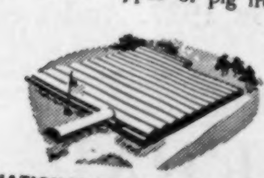
Buffalo, New York. Blast furnace division for production of various types of pig iron.

NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

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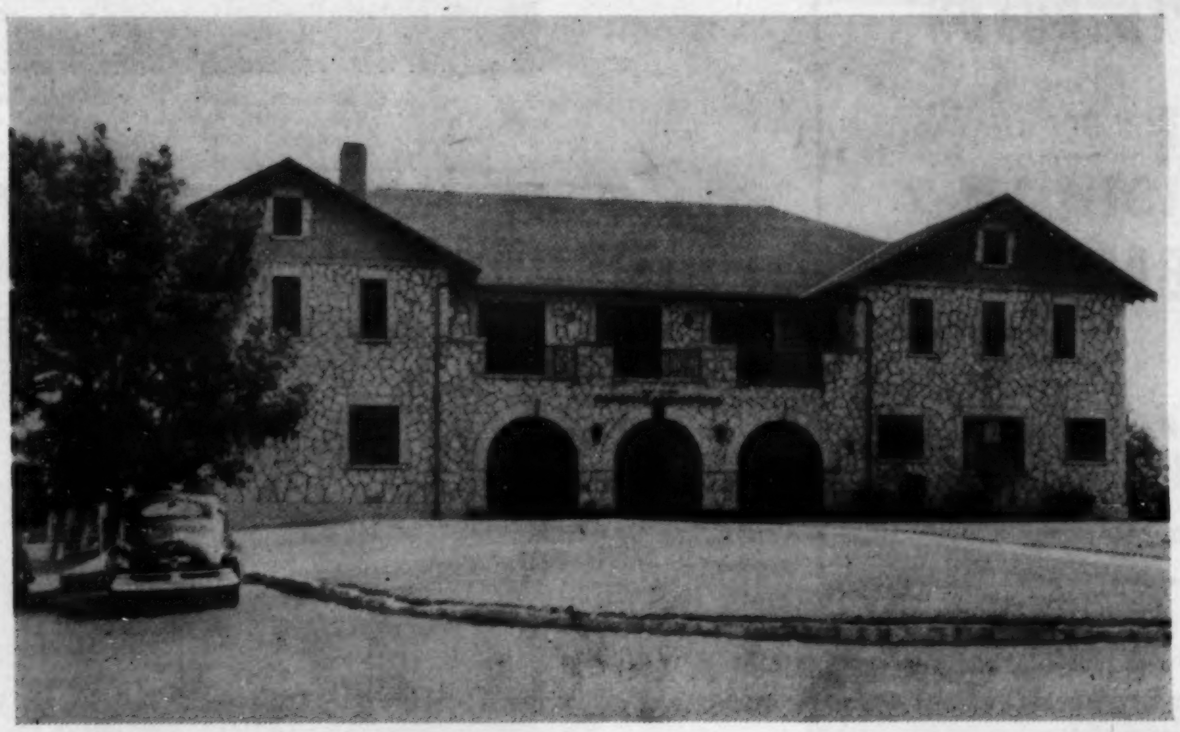
EIGHTEENTH ANNUAL MEETING

Texas Group

INVESTMENT BANKERS ASSOCIATION OF AMERICA



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MAY 6-9, 1953

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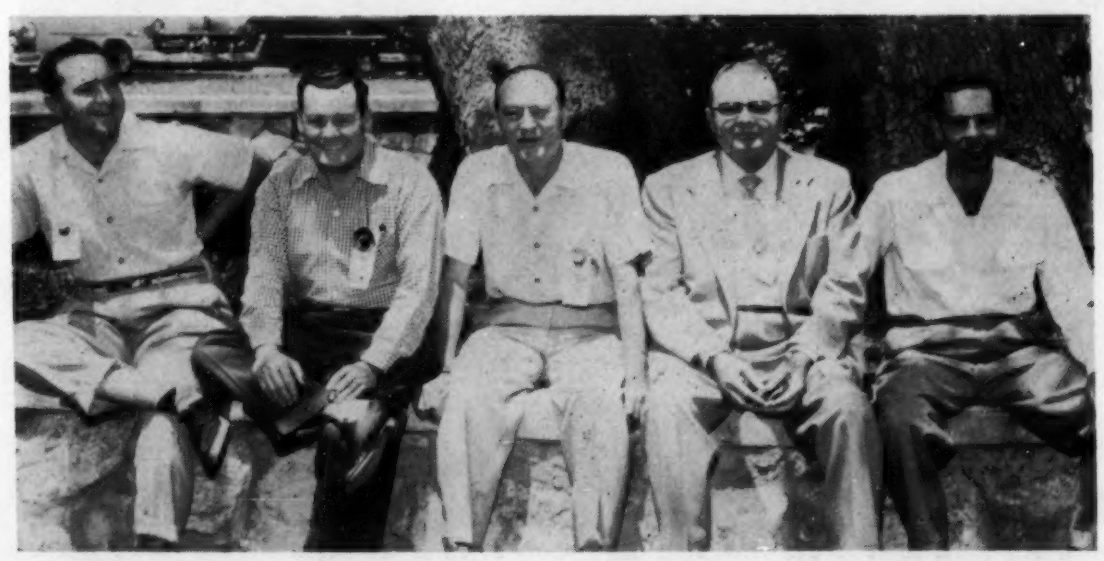

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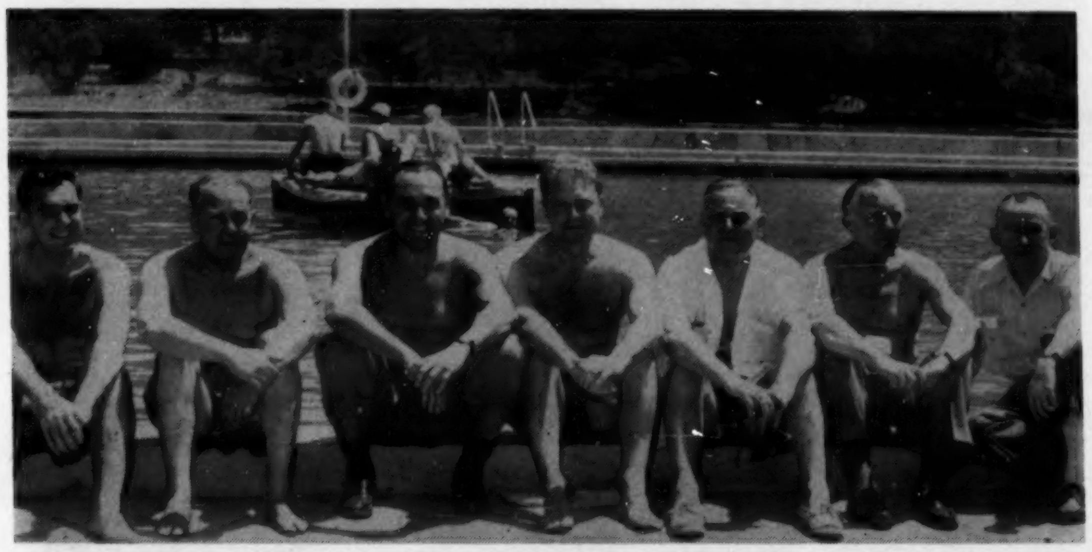

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(standing) Amory Parker, *The Parker Corporation*, Boston; Earl G. Fridley, *Fridley & Hess*, Houston; Gene A. Frantz, *William Blair & Company*, Chicago; (seated) J. Denny May, *The Parker Corporation*, Boston; Kenneth Drummond, *Calvin Bullock*, St. Louis; Paul J. Fagan, *National Association of Securities Dealers*, Dallas; R. N. Eddieman, *Eddleman-Pollok Co.*, Houston

Dining in the shade

Dancing under the stars

John Rauscher, Jr., *Rauscher, Pierce & Co.*, Dallas; Mrs. John Rauscher; T. H. Dunn, *Southwestern Securities Company*, Midland, Tex.; Mr. & Mrs. Hugh Bradford, *Southwestern Securities Company*, Dallas

Arthur E. Goodwin, Jr., *Rowles, Winston & Co.*, Houston; W. Wallace Payne, *First of Texas Corporation*, San Antonio; W. E. Knickerbocker, *McClung & Knickerbocker*, Houston; Charles E. Kimball, *Distributors Group, Incorporated*, Dallas; Robert Baker, *Rowles, Winston & Co.*, Houston; Arthur C. McCall, *Alester G. Furman Co.*, Greenville, S. C.

Hugh D. Dunlap, *Binford-Dunlap, Inc.*, Dallas; Mr. & Mrs. John P. Henderson, *M. E. Allison & Co., Inc.*, San Antonio; Brud Smith, *Texas Bond Reporter*, Dallas; C. Willard Houser, *American National Bank*, Austin; Ed R. L. Wroe, Jr., *American National Bank*, Austin; J. Marvin Moreland, *Rotan, Mosle and Moreland*, Galveston; F. Vincent Reilly, *Commercial & Financial Chronicle*, New York City

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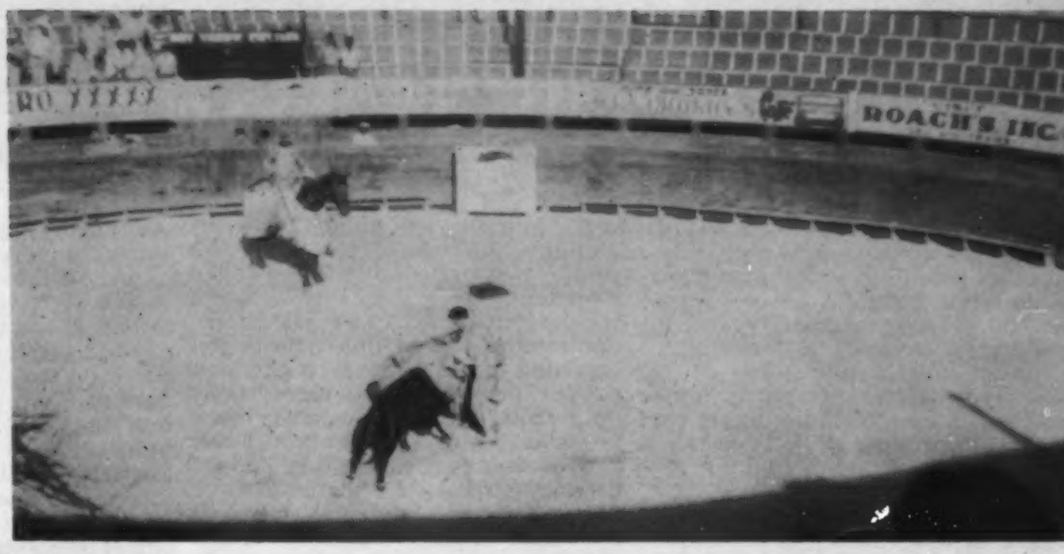

The Bull Ring—Ciudad Acuna

Continued from page 6

The Problem of Surplus Farm Production

works out, and the facilities it guarantees to meet the needs. You can be sure that the desire of the present Administration will be to reduce its operational activities as much as possible, limiting them to essential supporting and supplemental programs.

The Wheat Crop Problem

The members of this Association have a particular interest in grain, especially wheat. As you know, we face some very definite problems with this crop at the present time.

In spite of some very adverse weather in this general area last fall, the total 1953 crop — both winter and spring wheat—is now estimated by the Bureau of Agricultural Economics at a little more than one billion bushels. Add the expected carry-over of about 575 million bushels of old wheat on July 1, and we have a total supply of around one billion six hundred million bushels for the 1953-54 marketing year. That is a lot of wheat, possibly exceeding the highest former total supply, back in 1942.

We had a near-record crop of nearly one billion three hundred million bushels of wheat in 1952. Exports during the current year have fallen off sharply—about 150 million bushels below last year's total. These are the main reasons for the big carry-over this year.

Exports are, of course, the most variable factor in the wheat demand situation. World production of wheat in 1952 was the largest on record, or more than 7 billion bushels. Most of the wheat exported from the United States this year has moved under the International Wheat Agreement, with the government picking up the tab for the difference between the domestic price and the wheat agreement price.

The status of the wheat agreement is very important in any appraisal of probable exports during the coming year. The old agreement runs out July 31, after being in effect for four years. A new agreement, to run for three years, has been negotiated. Latest reports are that this agreement, which had already been signed by the four exporting countries (Australia, Canada, France and the United States), has now been signed by all but one of the importing countries. The one country which has not yet signed is a very important one, and signatures must be followed by definite ratification by the countries involved, but prospects for continued effective operation of the international agreement can be regarded as good.

Assuming operations under an effective agreement for the year ahead, it would be reasonable to expect exports for 1953-54 to run close to 300 million bushels. If for any reason the wheat agreement were not operative, United States exports could be expected to fall off rather sharply unless some other mechanism were substituted to provide for continued shipments of United States wheat on the world market.

On the basis of a 300-million export this coming year, and normal domestic disappearance a little short of 700 million bushels, the carryover of old wheat on hand when the new crop starts coming in on July 1, 1954, would apparently be somewhat larger than this year — possibly above 600 million bushels. Add a big 1954 crop, and it is easy to see the surplus situation we might face.

That, briefly, is the over-all wheat situation as we see it now. And that is why we are facing the prospect of controls on the 1954 crop—acreage allotments and marketing quotas.

Controls, the Lesser of Two Evils

As I have already mentioned, nobody likes mandatory controls. Under present circumstances, however, they would probably be the lesser of two evils. Without controls, and with mandatory price support at 90% of parity, production might reach levels which would put us in an impossible situation.

As a matter of fact, there is little administrative discretion regarding the question of marketing quota controls under situations of very heavy supply in relation to market demand. The controlling legislation spells out the course of action very clearly. Marketing quotas are mandatory under such conditions, unless they are suspended because of national emergency. And acreage allotments are supposed to be set every year, unless the emergency exemption applies.

Here is the way the legislative provisions work: First, we must determine a figure representing a "normal supply" of wheat. We get this by adding the domestic consumption for the current marketing year (1952-53) to the estimated exports for the next marketing year (1953-54). Then to this total we add 15% as an allowance for carryover reserves. The resulting total is the "normal supply" as defined in the legislation.

To determine the "quota level" —the level at which the Secretary of Agriculture is required to proclaim marketing quotas—we add 20% to the "normal supply" figure.

The decision on whether marketing quotas for the 1954 wheat crop will have to be proclaimed has not yet been made, and it will not be until later information is available on both production and market probabilities. The over-all situation is such, however, that it is not safe to delay the preliminary steps to prepare the way to put quotas and allotments into effect if necessary.

The time schedule is very close. The law requires a decision and proclamation on marketing quotas by July 1 (and July 15 for acreage allotments, which can be in effect without marketing quotas). If quotas are proclaimed, a referendum among all wheat producers must be held not later than July 25. As you know, growers must approve quotas by at least a two-thirds majority before they can be put into effect. If they fail to approve proclaimed quotas, the price support level for that year's crop drops to 50% of parity.

I don't want to bore you with too much detail, but there is one more point about the possible marketing quotas which I think will be of interest. If quotas for the 1954 wheat crop are proclaimed, they will be determined in accordance with the following legislative provisions which differ from the formula used in arriving at the supply level which calls for quota proclamation. First, we will determine a "normal year's" domestic consumption and exports. This is on the basis of the yearly average of wheat consumed in the United States during the previous ten marketing years (1943-52), and the average of exports during the same ten years, adjusted for trends.

When we have this ten-year-average figure, for both domestic consumption and exports, we add 30%. This gives us the over-all target we are aiming at for total supplies for the marketing year beginning July 1, 1954. Now to figure out the production needed in 1954, we must deduct the expected carryover of old wheat which will be on hand on July 1, 1954. The resulting amount will represent the 1954 marketing quota. The acreage allotment would be the acreage required, at average yields, to produce the quota.

Without attempting to work out the possible figures in detail, it is obvious that marketing quotas and acreage allotments on the 1954 crop would call for a reduction of many millions of acres in wheat, as compared with recent years. There is a legislative limit of 55 million acres, below which the national acreage allotment cannot go, but we might have to come down toward that figure if we are required to invoke controls for next year.

I need not point out the problems here. One of the real questions will be the use that wheat growers might make of the acres taken out of wheat. And we must remember that there is a possibility that cotton may also have to be under production and marketing controls for 1954. There will be related questions of sound conservation use of the land involved.

There is one very immediate problem for grain, especially for wheat which will be coming to harvest in a few short weeks. I refer to the handling of this year's crop, on top of the heavy reserves already on hand. The Commodity Credit Corporation is just starting the "take over" period on 1952 loan wheat, and the question of storage is right before us.

Frankly, we are worried about grain storage this year. The situation may in general be almost as tough as it was in 1949, and it may be even worse in some spots. Stocks of corn and wheat in all positions are very high. Wheat stocks on April 1 have been higher than this year only once: corn stocks only three times, and then by narrow margins.

The CCC Wheat Holdings

The CCC still has more than 100 million bushels of wheat in its inventory. In addition, more than 450 million bushels of the 1952 crop are under price support. Under present conditions, it seems likely that we will have to take over the bulk of this big supply. More than half of this 1952 price-support wheat is in three States—Kansas, Nebraska and Colorado. Our men have estimated that the take-over in the areas administered by our Dallas and Kansas City commodity offices may exceed the 1949 volume by as much as 75 million bushels.

While we are going to do everything we can to ease this situation, our first dependence of course will be on private enterprise—the normal warehouse and storage facilities of the region. That is our settled policy, and we trust and expect that private enterprise will do everything it can to meet the emergency needs. The more you make it unnecessary for the Government to take temporary and emergency steps, the better we will like it.

We are, however, already taking preliminary action to be ready to do our full part in meeting developments. We have arranged for the use of 50 ships from the Maritime Commission's fleet for emergency storage in the Hudson River. This will help ease the storage situation in the northeastern region—roughly east of Chicago. We of course are doing, and will continue to do, all we can to keep exports going so as to clear space at and near ports. We will arrange for movement of stocks within the country, to help provide space where it is needed most. There are limitations on such movement for we must consider the needs for storage of other crops which will be coming to harvest a little later. The Kansas-Nebraska-Colorado region, for instance, lies west of very heavy corn country. That means that some stocks from that region may have to move south, if space can be found.

We have announced a "resealing" program under which farmers can extend their CCC loans on 1952-crop corn for another year. Most corn stays on or near the farm anyway, and we are hopeful that many corn producers will take advantage of this special program to hold loan corn in the cribs and bins where it is stored now, thus relieving the pressure on outside storage facilities which will be needed for wheat and other crops.

We are also surveying all possible emergency facilities, such as idle warehouses and hangars of the military services in this general region. And to the extent that we have to resort to such emergency facilities, we want to arrange for normal warehouse interests to take over and operate these facilities under agreements. We want to have the benefit of the experience of warehouse and grain men in handling these operations efficiently. This will be our policy with regard to the operation of all emergency facilities, from the Hudson River ships to a possible aeroplane hangar in Texas.

The Resale Price Policy

Just a word about one or two general questions related to grain and storage operations. I have been asked about the Government sales policy in disposing of CCC stocks of grain. In general, that policy is pretty well outlined by legislative provisions, as well as by the dictates of practical operation. The effort is to make domestic sales in those quantities and at those times which will be consistent with price-support objectives. That means as little disturbance as possible of normal markets, and the avoidance of action which would tend to "break" prices.

With few exceptions, CCC is required by law to sell commodities which can be stored indefinitely, such as wheat and cotton, at prices no lower than 5% above the current price-support level, plus reasonable carrying charges. It is also required to "give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop."

The exceptions to these limitations cover export sales, sales of commodities threatened with deterioration, and some other minor provisions.

The policy of the Department of Agriculture is consistent with this legislative intent. Industry can be assured that every effort will be made to handle Government holdings in the soundest way possible, with the least adverse impact on normal operations.

Continued from first page

On Academic Freedom

esting but I shall not attempt to answer them in detail. I shall consider the term Academic Freedom as descriptive of an extra-legal principle pertaining to the profession of teaching which many persons believe should be recognized in the interest of society and for the advancement of learning. I propose only a discussion of the principle itself as presently under discussion, its possible scope and clear limitations.

II

Preservation of the independence of the teacher is the objective sought by those who urge adherence to the principle of Academic Freedom. It is contended that society is best served if the teacher is unshackled both in his search for the truth and in his expression of it. But in so far as I have observed it is not contended that there should be freedom to teach untruth, nor immorality, nor criminal, nor unlawful practices. Nor have I heard it contended that the principle should confer upon licensed teachers the right to teach in institutions of learning without invitation from proper authority, nor, once employed, to teach subjects other than those covered by the terms of their employment. That the doctrine does not extend protection to the unlearned or incompetent must be granted since such freedom would strike at the very purpose of education. As to the latter suggestion no one has more sedulously adhered to it than the profession itself with its growing sharp emphasis upon academic degrees as an essential qualification for teaching positions.

Perhaps by now one may feel that I am unnecessarily consuming the reader's time as well as my own in setting down indisputable premises or premises not pertinent to a discussion of the principle of Academic Freedom. I have called attention to these things only because mature reflection discloses each of them to be germane to and of importance in any discussion of this principle. This I shall make clear.

One may experience some difficulty with the suggestion, seemingly apparent, that the principle of Academic Freedom does not protect the teaching of untruth. What is untruth? What is the truth? These are age-old questions and do not admit of categorical answer. They have tormented the minds of men since men first began search for the truth. Men have endured physical torture and death rather than deny that which they believed to be true or affirm that which they believed to be untrue. But does difficulty in determining the truth in respect to specific questions or scholarship or competency in respect to specific individuals require that, once employed, a licensed teached becomes the sole judge of the truth or propriety of that which he teaches?

By way of example, should a professor of Geography announce his conviction and purpose to henceforth teach that the earth is flat, I presume few either within or without academic circles would support his claim to protection under the principle of Academic Freedom. Should the head of the Department of Astronomy announce his conversion to the theory and his purpose to teach that the earth stands in the center of the universe while the sun revolves around it I assume the result would be the same. And I think I am safe in assuming that the head of the Department of Religion in either a state or private school, or any teacher in a religious institution of learning who announced his conviction and purpose to teach that there is no God and that religion is a man-made superstitution without basis in fact and truth would find himself quickly deposed notwithstanding his claim to protection under the principle of Academic Freedom. And you will agree, I think, that it would be no different in the case of one who began teaching that theft is right and proper providing the thief steals only from one more wealthy than he, or that marriage is an outworn and useless institution and should be disregarded by his students, or that polygamy should be practiced by them.

Some may protest that these are extreme cases. Such protest will be valid. I have cited them because, being extreme, they more readily demonstrate that the freedom embraced within the principle of Academic Freedom, even within academic circles, cannot be considered as absolute. That which I wish to emphasize is that at some point there is a line or limit beyond which the principle cannot be deemed to apply and that the determination of that line cannot be left to the sole judgment of the challenged teacher. If the judgment of the teacher is controlling, the freedom is absolute.

III

What is the line beyond which the principle of Academic Freedom cannot be invoked, and in specific cases who shall determine whether or not that line has been crossed? Nothing could be more simple than to lay it down as a corollary of the principle of Academic Freedom that it does not shield the teaching of untruth or of vice or of crime or of lawlessness or of immorality or of irreligion in a religious institution of learning. It would be quite as simple to announce that it does not protect the incompetent or indolent nor one guilty of immoral or criminal conduct.

Crimes of violence and those against the rights or property of another are defined by law. They are the so-called natural crimes and their definition is the prerogative of the state, as are indictment, trial, and punishment. Little difficulty will be encountered in such cases. It is where a teacher is challenged, either in respect to the truth or fitness of that which he teaches, the character of that which he teaches, or in respect to his competency as a scholar or teacher that an issue is presented which presents difficulty.

IV

It is not surprising that the present controversy respecting Academic Freedom has centered about the teaching of political and economic subjects. Here neither natural crimes nor immorality are directly involved. Within limits in respect to all political and economic subjects there is diversity of thought and opinion. Teachers, like all others, are entitled to and do hold personal opinions respecting such matters. They rightfully become members of political parties and work and vote as such. Normal political activity on the part of the teacher is recognized as within the framework of our democratic institutions. It is not in respect to such activity on the part of educators that controversy has arisen. On the contrary the present day controversy centers upon the charge that certain teachers and educators, either singly or in groups, are systematically attacking the framework of the government itself by carefully calculated courses of political indoctrination *foreign to the generally accepted educational framework*. This indoctrination they are charged with covertly administering to those under their charge under the guise of normal education. It is contended that both by indirection and direction untruths are taught, and many important things left untaught or insufficiently taught, the purpose being to so indoctrinate the pupil or student that he will become either an exponent of a collectivized state denying individual liberties now enjoyed or an unsuspecting victim of those who seek to create such a state. In a word the charge is that these teachers have passed beyond the true boundaries of the objective academic world and embarked upon processes and methods the purposes of which are political and not educational in the sense of that term as heretofore understood. That they are, in short, subverting education, being more interested in preparing the student for life in a regimented or collectivist state than in teaching him those subjects commonly believed to form the groundwork of an educational system. In essence these are the charges.

V

It will be clear that charges of the character outlined are twofold in nature: First, neglect of that education which is considered so essential as to justify the effort and sacrifice involved in supporting the nation's public and private school systems, and second, the introduction into schools and colleges of a system of controversial indoctrination, certainly deemed by a great portion of the people to be both undesirable and harmful.

The propriety of the making of such charges by laymen has been challenged by some educators. There are, I think, two sufficient answers to this contention. The charges themselves indicate the importance of a determination of their truth or falsity, and if true the possibility of justification under the principle of Academic Freedom. The occupation or profession of the complainant throws no light upon these questions. Second and perhaps of greater importance is the fact that to challenge the right of any citizen to make them if he believes them true is to challenge the principle of democracy itself. Denunciation of those who make a charge neither answers it nor tends to disprove it. On the contrary it might tend to give the charge support as indicating a disinclination to meet it objectively upon its merits. Those who demand freedom of expression for themselves should be the last to deny it to others. In a democracy the humblest person is presumed to possess the right to criticize or challenge the conduct of those in power. And to a parent nothing is of greater importance than the education of his children. And to an American citizen nothing can be more important than the protection and safeguarding of his personal liberty! I have therefore given slight consideration to the contention that those who make these charges are either enemies of the schools or of education.

Search for the truth and interest in education cannot be said to be the sole prerogative of the professional educator. Those members of a democratic society whose children are taught have a natural interest in education and a clear right to explore its trends and purposes. And to suggest that none are competent to pass upon such subjects outside the profession of teaching is to reflect seriously upon the output of that profession.

VI

In respect to the charge that in many of our schools and universities political indoctrination has been quietly introduced into the educational process often to the neglect of other matters heretofore deemed essential two questions naturally arise.

First: Is there basis for the charge—in other words, is there truth in the charge?

Second: If true, should such teaching be considered as within the protection of the principle of Academic Freedom?

It will be well to give prior consideration to the second of these questions since if the answer is in the affirmative there is little need to explore or discuss the first.

The American public school system is conducted at an expenditure of money and effort which evidences the importance attached to it by the mass of the people. They are the parents of those taught. They bear the financial burden. They acquiesce in the exemption from taxation of private schools in recognition of the importance of the function they perform. The fiscal and administrative mechanism of public education, including the licensing of teachers, is set up and maintained by statutory enactment. It is within the power of the State to enlarge the field of public education, to curtail it, or to abandon it entirely. This being true it is not to be supposed that it is without power to define its scope, supervise its method, and determine that which may or may not be taught, who may or may not teach and under what circumstances teachers' licenses may be granted or withdrawn. *It will be observed that I speak now of the power of the State and not of the wisdom of its exercise.* In respect to privately endowed schools I entertain no doubt that those in authority under lawful articles of incorporation or bylaws possess powers and duties similar to those of the State.

To prescribe a method of exercising its power over public education is also the prerogative of the State. It may provide for its exercise either through bodies of educators or of non-educators. It may set up rules for their procedure and practice and limit or enlarge their authority. Should the people become dissatisfied with the methods or manners of these boards or the announced results of their administration or investigations, the State may in its discretion, abolish them and proceed anew. All this is well known to you and I recite it only as a part of the structure leading to that which follows. It has nothing to do with wisdom. It has only to do with power. If power is unwisely exercised by government that is one of the misfortunes of mankind, the human race unhappily having as yet discovered no device for assuring itself wise or competent leadership.

VII

I come now to consideration of whether it is wise or unwise in the exercise of these powers.

I need offer no argument to sustain the natural right and duty of a legitimate government to protect itself against violent overthrow; to protect its citizens against mass murder or against the terrorization and enslavement of the many by the few. I speak of this because it is around the question of Communist totalitarianism that the present day discussions of Academic Freedom have in reality turned and these three things are part and parcel of that system of totalitarianism. With no effort at concealment it is acknowledged by the proponents and sympathizers with Communist totalitarianism that such a system of society can be established in the first instance only by resort to the first two practices and maintained, in its formative years at least, only by the third. Each is accordingly justified upon the principle that the end justifies the means.

One who conspires to overthrow his legitimate government by force or violence or to effect the murder or enslavement of his fellow citizens is guilty of a crime. One who advocates or teaches the desirability of such conduct is guilty of inciting criminal and lawless acts. To contend that such a one, or one who knowingly aids or notoriously associates with such a one, is entitled of moral right and principle to teach in public or private schools is to utter nonsense. The common sense of mankind recoils at the suggestion and reason rejects it. Similarly it may seem as it does to me even greater nonsense to suggest that one who, adhering to a hostile foreign power, has for himself renounced the principle of Academic Freedom may claim its protection.

Our concern is not with these cases. There are educators who publicly profess to believe that such rights should be recognized under the principle of Academic Freedom. High academic authority has, however, already pronounced judgment against them. But much of the challenged teaching comes from persons who are neither admitted nor proven communists. It is charged that these persons are dedicated to the remaking of our social and economic order along collectivist lines; that by their affirmations, omissions, and methods such persons purposefully, either openly or covertly, engage in political indoctrination in the classroom often more effectively than those who acknowledge themselves to be communists; that they seek to influence not only those whom they teach but their fellow teachers.

Is it consistent with the duty owing to country and students alike for those in authority in institutions of learning to decline to investigate such charges because of difficulties anticipated in determining their truth? Or because the practice of investigation may lead to the lodging of unjust charges against the innocent?

I anticipate that the conclusions of many will be in the negative and so give consideration to some of those facts and principles which seem pertinent to such examinations.

VIII

(a) Perhaps it will not seem wholly without importance that grave misconduct on the part of certain individual educators both here and in other friendly countries has been proven. Some have been convicted of willful perjuries respecting their conduct. Some have under oath declared that truthful answers to propounded questions would incriminate them, declarations tantamount to confession of unrevealed criminal conduct. Some are under indictment awaiting trial upon charges of having passed vital information to enemy agents. Some while under investigation have fled the country. Others singly and through organized groups of educators have openly announced their purpose to stimulate class bias and hatreds within the minds of pupils and students as a groundwork for the establishment of a new political and social order. This proves nothing against others. It has importance as background in any consideration of the present controversy. Because of it one knows that there exists some strange moral quality capable of penetrating even the academic world and impelling to subversive conduct persons entrusted with the education of the young or immature. That is its significance.

(b) Of greater importance is actual appraisal of the challenged teaching and writing. What principles should control such appraisal I think you will feel that careful distinctions must be drawn between that taught as fact and that expressed as opinion. As example, should a teacher of good character and repute, pointing out his reasons, say to his students that he considered a communist state established by consent of the governed the ideal form of society I should have little quarrel with his

claim to protection under the principle of Academic Freedom. That is his opinion and, though I should disagree with it, I for one would not object to his expression of it. But should he either by direction or indirection teach that the establishment of such a state *by violence* was admissible, or desirable, or justifiable since the end in itself was good, I should consider him as advocating criminal acts and not within the protection of the principle. And should he teach that the form of government of Russia is democratic, or that the Russian individual has rights and liberties the government is obliged to respect, or that the Russian government has unswervingly met its treaty obligations, I should consider him guilty of teaching untruth. Whether this teaching was purposeful or not would in my mind be immaterial since if purposeful his guilt of willfully teaching untruth would be plain, if not purposeful; his incompetency would be clearly established. In either event he could claim no protection under the principle of Academic Freedom. I use these particular examples because I have observed news items concerning such statements as having been made by American University Professors. As an instance, a Professor holding a high position in an American University, in a book written *in English* for the guidance of American readers, speaks of the spread of "American democracy" and "of the Soviet form of democracy." The suggestion made in English to American readers that the Russian dictatorship, in which political parties and political discussion are prohibited, is a "form of democracy" is false. The English word "democracy" has a definite meaning. The Russian government is not a "form of democracy" within that meaning. Its claims to be a democracy within the definition of the English word are spurious to the point of absurdity.

I have had called to my attention assertions by a Professor that the Russian Bill of Rights gives more protection to the individual than our own. That also is a false statement. The Russian Bill of Rights exists only upon paper. From the government it gives protection to no one, a fact perfectly well known to informed persons both within Russia and without.

Again since the close of the war I have on more than one occasion read news accounts of lectures given to classes in adult education by a University Professor. In these several news accounts this Professor was reported to have stated that the present Russian government had never broken a treaty or international agreement. I have seen no denial of these news items. If made, these statements were false, and their utterance the more inexcusable since that government's repeated violation of numerous treaties and agreements was and is open and notorious.

These false statements were acts of direct commission. It may seem to you difficult to reconcile statements of this character with that good faith and objectivity expected of University Professors. You may wish to learn more of the motives which prompted them. Whatever the motives it is my belief that they do not fall within the protection of the principle of Academic Freedom since that principle does not give protection to the teaching of untruth.

(c) As to acts of omission I am told of Professors of my acquaintance serving in two separate Universities, one public and one privately endowed, that in each, as well as in other Universities, there are Freshman classes in what is called "Remedial Reading." The reason for this is that a certain percent of the Freshmen now appearing each year cannot read sufficiently well to carry on in college work. I cite this by way of example.

You will attach some significance, I believe, to the fact that high school graduates now come to American Colleges and Universities incapable of reading sufficiently well to pursue the work of the freshman year. Without this ability how have they successfully finished the high school courses? Have they finished them in a satisfactory manner as that term has been heretofore understood?

It is said that this seeming departure from established educational standards is justified by certain educators upon the contention that other things are more important than mastering the art of reading, as for instance suppression of individualism and of ideas of comparative excellence, as well as preparation for life in a regimented or even a collectivist state.

But let us suppose, as I for one do suppose, that the people at large are not prepared to yield to this new doctrine, that they believe that high schools should turn out graduates capable of doing the reading required of college or university freshmen. Should this belief be yielded in due respect to the principle of Academic Freedom?

It is true that in the teaching of an assigned subject, proponents of Academic Freedom demand for the teacher the right to teach that in respect to the subject which he or his superior believes true. Do they also demand the right, in the name of Academic Freedom, to slight or ignore subjects, ordinarily considered basic in academic work, as for example reading, writing, and spelling, while emphasizing or susbtituting other subjects deemed by them more important?

If this right does exist, the principle of Academic Freedom gives protection to teachers who fail to sufficiently instruct in that thing essential to all academic investigation, ability to read. This may seem to you a novel interpretation of a principle said to be demanded in the interest of Academic learning. If so, I think no one will not believe such neglect to fall within the protection of the principle of Academic Freedom.

I cite this as one example of omission charged against a certain school of present day educators. Others, notably in the fields of Spelling, Mathematics, and Geography, will occur to you since some startling information has been publicly offered in support of such charges.

IX

In the foregoing I have given consideration to principles, illustrated in part by fact and in part by some supposititious situations. In practice among educators it is impossible to believe that, in so far as the individual teacher is concerned, the principle of Academic Freedom plays a role as important as the heat of argument might lead one to suppose.

It is in the nature of things that staff members are selected and recommended for appointment by Department heads and Department heads by still higher Authority. Do not these heads carefully screen all prospective teachers, ascertaining their backgrounds and beliefs as evidenced by former writings and teaching? To suppose that in so doing they do not measure each as to competency and proper viewpoint by their own yardstick is to forget that educational institutions are staffed by human beings. What other yardstick could be used by one confident of his own competency? The truth to one is that in which he believes and untruth is that which he disbelieves. As a result changes in concept and belief within the several departments of educational institutions are slow of development, old beliefs and practices being in a measure self-perpetuating. Basic changes become permanent only with acquiescence at the highest levels of authority. Thus in the long run in institutions of learning, public or private, that will be taught which conforms to the beliefs and sense of fitness of those in power. This is not because Academic Freedom is directly or willfully denied. It is because in the natural course of events teachers have been selected who share the beliefs and sense of fitness of those responsible for their selection, retention, and advancement. The tightness of this natural control is evidenced by the fact that however earnest his beliefs and however important his Freedom to teach them, unless invited to teach by someone in authority a certified teacher will remain without classes. Academic Freedom, even by those most zealous in its advocacy, is not considered to embrace the right of the uninvited, however true his message, to teach in educational institutions.

X

To say that differences of opinion do not arise and exist within faculties and even within departments would be untrue. Such differences do exist both in respect to subject matter and method. There is vigorous argument in respect to them. I do not understand such differences and such controversies to be our concern. I would do nothing to discourage them.

The questions with which we are concerned are both factual and of principle. The questions of fact are two: Are long established fundamentals of education being quietly discarded or neglected in our common or preparatory schools? Has there been introduced into our educational system a form of political indoctrination, foreign to normal education as heretofore conducted, the purpose being to discredit the country's present system of individual freedom and free enterprise and substitute another form of political and social organization, collectivist in character, deemed desirable by certain educators? The question of principle is whether, if true, either should be considered as falling within a fair and reasonable application of the doctrine of Academic Freedom.

As for myself, as already indicated, whatever their claims in justification, I am not prepared to accept as valid the suggestion that those who send out high school graduates incapable of doing Freshman reading or insufficiently instructed in other basic subjects may claim sanctuary under the principle of Academic Freedom.

Neither am I prepared to accept as of validity a similar plea in respect to those who would introduce into the public school systems political indoctrination as a foundation for the creation of a new social order. I question neither the right nor propriety of educators attempting by lawful means the creation of a new social and political order. I would do nothing to interfere with their advocacy of a new order in any proper forum. I decline to acknowledge their claim to the right as publicly employed educators to make the classrooms under their charge forums or educational mediums for this purpose. I believe such attempts to constitute a subversion of the purpose and function of public education. Even the suspicion of such practices within the public school systems evokes a storm of protest and controversy. If those who wish the establishment of a new political and social order are entitled to make the public schools a place of indoctrination and a forum for their advocacy, who will say that those who wish to retain the present order or establish some different order are not to enjoy a like privilege? The schools thus become the scene of political turmoil and bawling controversy rather than quiet places of instruction and learning.

Should groups of educators attempt religious instruction along denominational lines they would find no protection in the eyes of the public under the principle of Academic Freedom. I believe they will find no more protection for a system of political indoctrination.

XI

As to the facts, they should be determined by a fair inquiry judicial in character.

In the heat of controversy and as a product of the times unfounded charges may be expected. But because of this all charges are not to be considered as either unfounded or wanton or the product of hysteria. It is not unknown to you that the protective mantle of the most noble principles is often called upon to shield ignoble projects. But because of this all persons claiming the protection of such principles should not fall under your suspicion.

If false representations are shown to have been made either in respect to our own institutions or practices or those of the totalitarian states; or false comparisons drawn; or words given false meanings; or open or covert apologies offered for the crimes and brutal aggressions of the totalitarian dictatorships, I think one will wish to know why.

If inquiry is met with evasion and equivocation, with distortion and misuse of terms and words or with abusive criticism of those directing the inquiry, I think one will wish to know why, since these are not the methods of fair and reasonable men defending practices or conduct which they believe to be right or justified.

Many arguments which may seem to you specious in character have been advanced against investigative proceedings either in respect to governmental or educational agencies. As example, it has been urged with great fervor that such proceedings bring innocent persons under suspicion and hence should not be undertaken. Precisely the same argument with even greater force could be brought against all criminal investigation. The doors of the magistrates are open day and night to all who wish to prefer criminal charges. No one is exempt from possibility of having such charges leveled against him. Not a day passes in which individuals after trial are not declared guiltless. But no one contends that because of this the investigation and prosecution of crimes should be abandoned.

It has been protested in the most sober manner by well meaning persons that oaths should not be administered to witnesses in such proceedings since if the witness is honest the oath is not required —if guilty he would lie despite it. It has apparently escaped the notice of these persons that the same argument would apply as forcibly to all witnesses and all accused persons in both civil and criminal cases. It also seems to have escaped their attention that the severe penalties for perjury are a potent deterrent to the bearing of false witness.

Another suggestion which one may think open to suspicion has been urged under the newly coined name, "Guilt By Association." You will know of no law which provides punishment for persons because of their associations. You will know of no one ever having been put on trial charged with guilt by association. You will know of no court ever having instructed a jury that a man might be found guilty of theft because he had associated with thieves or of murder because he had associated with a murderer. In a word you will know of no such principle in law. You would not look with favor upon such a principle if advocated. But I apprehend that you will receive without favor the suggestion that persons who notoriously associate themselves with subversive organizations or consort with espionage agents of foreign powers are entitled either by right or fitness to employment in governmental or educational agencies. *The question is not one of guilt. It is one of fitness.* Must the bank clerk who consorts with gamblers and thieves be retained until guilty of defalcation? Or the athlete who associates with fixers and gamblers be kept in good standing until proof of his actual guilt is obtained?

XII

It is understandable that some should deplore the heat, extravagant exaggeration, and personal abuse which have characterized public discussions of some of the present day concepts and methods of teaching. They are not alone in believing that nothing has been gained by it. Unhappily much of the abuse and many of the epithets have come from educators whose resentment of criticism has led them beyond the reasonable confines of academic objectivity and moderation. These, of all others, should be best equipped to make fair and convincing answer to unfounded charges leveled against them or their manner of practicing their profession. In the realm of persuasive argument they should enjoy pre-eminence. At the level of exaggerated statement, abuse, and epithet which are the weapons of the demagogue, the advantage may well shift should their adversaries choose to engage them at that level.

Two With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Leo G. Arndt and Rachel Cornwall are with Renyx, Field & Co., Inc.

Joins F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Lewis W. Barron has become affiliated with Francis I. du Pont & Co., Liberty Life Building. Mr. Barron was formerly Hartsville, South Carolina manager for Courts & Co.

F. H. Ayres & Son

LOS ANGELES, Calif. — Frank H. Ayres & Son, 5848 West Pico Boulevard, is engaging in a securities business. Officers are Donald B. Ayres, President; Roger A. De Young, Vice-President; Howard Burrell, Secretary; and Mildred D. Getman, Treasurer.

E. J. Fountain Opens

E. J. Fountain has formed E. J. Fountain & Co. with offices at 50 Broad Street, New York City, to engage in the securities business. He was previously with Stroud & Company, Incorporated and R. A. Keppler & Co., Inc.

V. J. Dishy Opens

BROOKLYN, N. Y. — Victor J. Dishy is engaging in a securities business from offices at 1985 East 15th Street under the firm name of Investors in America Company. Mr. Dishy was formerly with First Investors Corp.

Charles O. Larson With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LA CROSSE, Wis.—Charles O. Larson has become associated with Shearson, Hammill & Co. Mr. Larson was formerly Resident Manager for Ames, Emerich & Co., Inc. and Dayton & Gernon.

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Canada and the Security Analyst

get carried away with their own enthusiasm and lose sight of that most invaluable ingredient of sound analysis—a sense of proportion or perspective. We have seen some fairly recent examples of this in the United States, such as the drug and textile stocks, and no doubt you could point to others. Paying excessively high prices in relation to realizable values is not and has never been a sound way to invest in growth. Fortunately, professional analysts have a way of recognizing their mistakes and this in turn is rather quickly reflected in the market prices of securities that may have been priced unduly high during a period of excessive optimism.

Canada has been endowed with all manner of investment opportunities in growth. The job of the Canadian security analyst must be to appraise these situations in realistic perspective and keep the market price in reasonable relationship with the prospects, know or potential. I am sure that all of you are fully aware of the importance of this task to the many risk-taking investors with whom you deal.

I am reminded also that the financial reports of some leading Canadian corporations are below the standards of progessive companies in the States from the viewpoint of providing adequate corporate information for analysis and investment comparison. Here is a major opportunity for Canadian analysts. Everyone will benefit if you are successful in obtaining more complete annual reports. The Federation has made much progress along this line in the United States and we will support you in any possible way.

The Threat of World Peace

We have another community of interest today—that of intelligently appraising investment forces in a period of world peace. I am not forecasting that we will have a period of years free from the threats of all-out war. The negotiations in Korea may be a precursor to a genuine attempt at a real peace settlement, but again they may not. How should we judge what is going on in Indo-China? No one knows where these events will lead, but we must at least consider all the possibilities and one of them may be a lessening of world tensions. The recent speech of President Eisenhower could be a major turning point in our Western diplomacy, providing it is understood by those behind the Iron Curtain. What did he say in great sincerity? Here is an important excerpt:

"This government is ready to ask its people to join with all nations in devoting **a substantial percentage of the savings achieved by disarmament to a fund for world aid reconstruction.** The purposes of this great work would be: To help other peoples to develop the undeveloped areas of the world, to stimulate profitable and fair world trade, to assist all people to know the blessings of productive freedom. We are ready, in short, to dedicate our strength to serving the needs, rather than the fears of the world."

I do not know how the prospects of contingent peace are being evaluated in your financial centers. I do know that in Wall Street and other markets of the United States the talk of a settlement between the West and the East is generating a startling degree of investment fear and uncertainty. It is the current mood to emphasize that peace will bring a "chain reaction" of reduced military spending, lower capital investment, curtailed expenditures by the consumer, and therefore a business decline of severe magnitude on corporate profits and stock prices. My belief is that this interpretation is a bit too one-sided.

There is another factor to consider in the United States and it ties in with the possibility of longer-term peace. We now have, after 20 long years, an Administration dedicated to prudent government finance and a great reduction of Federal controls of every kind and description. We are returning, we hope, to some of the principles of free enterprise which made our country and yours a haven for individual initiative and which produced an unparalleled rate of industrial growth in the past. The process will require a number of adjustments, some of them quite painful, such as higher interest rates and real competition. The elimination of wasteful parasites from the government payroll and the fact that various segments of our economy will no longer have a free and ready access to Federal funds are of course viewed with much alarm by those affected.

Not Faced With a Cyclical Collapse

But these developments should not blind us to the wonderful opportunities that lie ahead for business enterprises of vision, courage and sound management. This is a time for clear thinking and level heads. It is perhaps inevitable that industrial production should decline if the pace of military expenditure is reduced, as now seems likely. In fact it is widely expected. The question is, how much? The trend of business activity will probably turn down but I do not believe that we are faced with a cyclical collapse. Population growth, technological advances, new civilian products and various other key factors suggest that our "normal" level of production and trade could be materially higher than the pre-Korea average. The future volume of world trade, in which Canada has such a vital interest, will also be one of the keys. President Eisenhower's message on this point seems to have fallen on rather deaf ears in the very centers where it should have maximum significance — the financial markets. Maybe we are all too preoccupied with falling bond prices. I am reminded somewhat of the words of Keats in the "Prisoner of Chillon":

"Here where men sit and hear
each other groan,
Where palsy shakes a few, sad,
last great hairs,
Where youth grows pale, and
spectre thin, and dies,
Where but to think is to be full
of sorrow and leaden-eyed
despair."

If some of the billions saved on armament can be used for international exchange and underwriting an expanion of world trade, I am sure that the level of business activity will not turn out to be disappointing to the owners of equity securities.

Given an environment of constructive peace I see no reason why the United States should not enter a period of further dynamic progress in which our natural partner, the Dominion of Canada, will share. But we must share. It is disturbing to hear a proposal that Canada should establish export taxes on abestos and nickel going to the States in retaliation against a proposed higher tariff on U. S. imports of lead and zinc. Our economic union should be free of such blockage points. We stood together under the stresses of war and should be able to stand as one under peace.

Investment Skepticism

Professional security analysts do not have unlimited wisdom and we are certainly not perpetual optimists. Indeed we are disposed by training to keep a rather healthy degree of investment skepticism. Nonetheless we should not fall into the trap of believing that our political change or a possible development toward world peace are basically bearish. We should not over-discount the impact of deflation when in fact inflation all along has been a greater weakness. The risk of an interim "recession" in business should not be taken to mean that our secular growth is no longer bright.

We should recognize that while a further adjustment of stock prices may be necessary, our markets have been orderly and cautious for a long while. When we speak of a prospective decline in corporate earnings, we should not overlook the offsets of reduced tax rates and the strong possibility of higher price-earnings ratios that a period of real peace and expanded world trade could bring for shares in well managed and growing companies of the United States and Canada.

At our recent National Federation Convention in Philadelphia I felt obliged to state that "the analysts profession has a unique opportunity to share in the goal of a comparatively stable yet growing economy without the degree of government support and control of the past 20 years. We have in our hands a continuing ability to make for realistic market valuations of securities — to dampen excessive price movements that in the past have contributed to economic instability. We are in a position to help direct investment funds into those industries and companies that contribute to the nation's growth, productivity and real income."

We cannot cure the business cycle but we can do much to reduce such influence as it may have in the securities markets.

The task of keeping realistic prices is just as valid here in Canada as it is in the States. As professional analysts I am sure that you will join with all the Societies in this basic objective.

And I am also sure that before too long the Federation will have the opportunity to welcome additional members from other major centers of Canadian finance. It will continue to be to our mutual advantage.

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College Economist Takes Issue With Sears on Price of Gold

rect, but clear thinking can scarcely afford to overlook the circumstance of the war. It does not seem very realistic to imply that so long as a nation adopts a gold coin standard its price level will be stabilized, regardless of war, when we know that the gold standard is itself one of the first casualties of war. It simply cannot be maintained at such a time, as was evidenced even in the relatively small wars of the past. Except for the United States, briefly participating, all the nations engaged in World War I were obliged to abandon the gold standard until after the war, just as the North and the South both suspended an effective gold standard during the Civil War. To state that the Treasury and the Federal Reserve are responsible for the decline in the value of the dollar is a little reminiscent of the rewards given to medicine men for rescuing the sun from eclipse.

Amusing Inconsistencies

And perhaps it will be regarded as merely an amusing inconsistency that it be proposed that (1) a "free" market should be established for gold and, (2) the Treasury be prohibited from selling gold to industry and the arts. Moreover, runs the argument, (1) gold should be declared to be a strategic metal and, (2) the public should be allowed to hold any quantity they wish. As a distinctly minor detail we certainly may wonder how the Treasury could be required to deliver gold to the public upon demand and simultaneously prevent industrial consumption of Treasury gold.

With gold declared a critical item the Treasury would be forced to continue purchasing, no matter how high the price might rise. If such a state of affairs merely resulted in a bonanza of a few million dollars for the gold producers the matter would not be so bad. The government has subsidized other industries, although usually they have been of more importance to the economy than is domestic gold mining. But in this particular case such a program, coupled with a rising gold price during periods of a decline in the value of money, would introduce a system based upon what experience has proved to be, of all monetary principles, the most vicious.

When some one commodity, whether gold or something else, is chosen as a monetary standard, there are two rational methods of operation.

One is the traditional standard whereby the Treasury maintains a constant price for that commodity. So long as the Treasury stands ready to buy freely all that is offered, the market price can not fall below the Treasury price. If the Treasury is also freely selling the commodity, the market price can not rise above the Treasury price. The two are identical and are determined by the Treasury when it defines the dollar as being the value of, for example, one thirty-fifth of an ounce of gold.

Suppose It Was $10 An Ounce?

So long as a nation actually maintains a standard of this sort, if the public is allowed to hold the commodity the market price cannot possibly differ from the Treasury price, whatever the latter might be. If the United States Treasury were tomorrow to permit citizens to hold gold, and simultaneously were to define the dollar as the value of one-tenth of an ounce of gold, the price of gold would automatically be $10 an ounce.

Nor is it necessarily true that at that price gold would be such a bargain that the Treasury would quickly be drained of all its gold. It must be remembered that by far the largest buyer of gold is the United States Treasury. A lower price for gold would doubtless result in a little more gold being used in the arts, but the total so used would still probably make little impression on the hoards in the Treasury vaults. (Net consumption of new gold by industry in the United States in recent years has been around $100 million annually, a little in excess of domestic production.)

If the Treasury were to establish a truly free market for gold by demonetizing it and offering the present stock to buyers for whatever price the market might determine, subject to the qualification that under no circumstance would the Treasury again purchase gold, it is interesting to speculate how low the price would have to drop to permit the Treasury to dispose of its nearly seven hundred million ounces in a market which, at the present price of gold, consumes a little over one million ounces a year.

Goods, Not Gold, Wanted

The above oversimplification does not take into account the demand for gold abroad but is an attempt to emphasize the simple fact that the principal demand for gold today is as a money material. Admittedly, if and when the United States set a lower price on gold other countries were to leave their gold-buying prices unchanged there would, until price levels became readjusted, be profitable opportunities for Americans to export gold and use the proceeds to buy goods abroad. However, if the United States were to take any such drastic (and certainly ill-advised) action, it is fairly certain that other nations would revalue their currencies accordingly. It is our goods which they want, not our gold. With all nations revaluing gold proportionately, the terms of trade would remain unchanged. There would be some increase in the amount of gold consumed by industry, but there would be no logical basis for a feeling that gold at $10 an ounce was any particular bargain unless, of course, one speculated that presently treasuries would raise their official prices.

If, to repeat, it were certain that government prices would remain permanently at the new, low level, it would be a matter of indifference whether one held an ounce of gold or ten dollars, each dollar having the value of a tenth of an ounce of gold. Such dollars would probably be worth more than our present dollars, but whether or not they increased in value there would be no advantage in holding gold. The one time when people prefer gold to other forms of money is when a breakdown of the monetary standard is expected. So long as it operates satisfactorily, people have no desire to incur the costs of storing gold.

There is a legitimate case for arguing that the public be permitted to hold gold to impose limits on monetary and financial policies, but it can not be distorted to imply that the present demand for gold would exist in the absence of government support. It is a little odd that this is apparently more obvious in the case of butter than of gold.

A Varying Gold Price

According to a second type of gold standard, discussed some years ago, the price of gold would be made to vary **inversely** with the general level of prices. The logic of such a standard would lie in its possibilities of price stabilization. According to its supporters, a general rise in prices could be promptly checked by increasing the weight of gold in the dollar, thus making the dollar more valuable and of course at the same time lowering the Treasury's buying price for gold. Likewise in depression, falling prices might be halted and reversed by raising the price of gold, that is, making the dollar less valuable by reducing its gold content. This was the theory of the devaluation of the dollar in 1934, although the government, after briefly experimenting with a flexible price for gold, eventually defined the dollar in terms of a fixed weight.

For either a dollar of constant weight or a dollar the weight of which varies with the price level good arguments can be advanced. That is to say, so long as we are on a gold standard it can be argued that the price of gold should

be constant or that it should vary inversely with the general level of other prices. Even if we support, in general, the idea of a fixed price for gold, we may feel that particular circumstances require a general revaluation of gold. The one thing we cannot possibly argue is that as a general principle the price of gold should vary directly with the general price level.

Standard of Value

For the two most important functions of money are as a medium of exchange and a standard of value. The first of these is obvious and irrelevant to the point here at issue. The second function, that money serve as a standard of value, requires that we have some sort of stability in our standard. This is surely the most elementary requirement for any standard. If the standard itself is going to vary in such a way as to magnify the changes in what we are measuring, then the standard is worse than useless.

One of the strongest criticisms leveled at the gold standard based on a constant weight of gold is that the value of the gold itself changes, as evidenced by the unstable price level. This is one of the most elementary principles of money. Individual prices are in constantly changing relations to each other. Some are moving up, some moving down, some standing still. But when prices in general are moving up or down it can only be due to a change in the value of money. Even under the pre-1933 gold standard price levels changed, indicating that a given weight of gold was worth more at some times than at others. As noted above, it was occasionally suggested that the gold standard be modified by changing the weight of the dollar for the purpose of keeping its purchasing power constant.

"An Expandable Ruler"

We may compare these two types of gold standard to two rulers made of a metal with a fantastically high coefficient of expansion. Suppose that on a warm day these rulers stretch out to twice their length when the temperature is at zero. One of these rulers contains at all times twelve divisions, or inches. By this ruler a man who is six feet tall in the winter will be three feet tall in the summer. This ruler corresponds to the familiar type of gold standard. The other ruler is so arranged that it can be cut down or lengthened in such a way that, regardless of temperature, the man will always measure six feet. There is something to be said for both types; each has certain advantages.

But the ruler proposed by those who would have the price of gold vary directly with the price level would be one which would add inches to the ruler as it expanded, remove them as it contracted. By such a standard of measurement the man would be three feet tall in the summer and twelve feet tall in the winter. Worse yet, we shall have to suppose that as more inches are added the ruler would expand faster than ever, requiring still more inches.

No one will deny that 35 of today's dollars are not the equivalent of $35 in 1934. Nor will anyone dispute that gold mining is nowhere nearly so profitable today as it was in 1934, when the price of gold was doubled at a time when most other prices were at all-time lows. But so long as we maintain any form of gold standard, gold-mining will necessarily be a counter-cyclical industry, flourishing in depression, languishing in prosperity.

It is difficult to suppose that by raising the price of gold, that is, by reducing the gold weight of the dollar, we can increase the value of the dollar, that is, lower the level of prices.

Nor, however much we may sympathize with the plight of gold miners, squeezed between rising costs and an inflexible price for their product, can we grant that they should be given a higher price. They are not producing just another commodity, they are producing the commodity upon which our monetary standard is based. We cannot wreck our economy to permit higher profits for one industry.

Effect of Higher Gold Price

For what would be the consequences of the policy which they recommend? The first step would be to raise the price of gold by 100% or more. Whatever the results of such action, they could hardly be deflationary. They would at least lay the foundation for inflation. Perhaps the inflation would materialize and perhaps it would not. If it did develop, the miners would be justified in demanding again that they be given relief, since the dollars they were receiving were no longer buying as much as before. The only end to such a process, once under way, is catastrophe, for as the money loses its value it is officially devalued, encouraging further decline in value and further devaluation.

Money is most likely to lose its value when there are no limits upon the amount which can be created. The war necessitated the creation of a great addition to our money supply which, along with other factors, caused the value of the dollar to decline. But this decline in the purchasing power of the dollar was largely a matter of military necessity rather than of choice. To devalue the dollar at this time on the principle that gold miners deserve higher prices would be to abandon completely the logic of the gold standard and to permit a literally limitless creation of money.

There has been inequity and inconvenience in adjusting our economy to prices twice and three times as high as prewar but, unlike some countries, we have not had prices a million or a billion times as high, as we well might if we adopted the principle of devaluing the dollar whenever it declined in value. So far as stabilizing its value is concerned, the dollar should be devalued, if at all, when its purchasing power is too high, as in 1933. Devaluing it to correct its low value would be futile and possibly disastrous.

As stated at the outset, a case can be made out for an all-around devaluation at the present time to ease the dollar shortage, but that is an entirely different matter.

DR. EUGENE S. KLISE
Associate Professor of Economics
Miami University
Oxford, Ohio
May 12, 1953

Fairman & Co. Now A Corporation

LOS ANGELES, Calif. — The partnership of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange, is being dissolved and a new corporation will be formed. Officers are Harry G. Fairman, President; W. Douglas Hale, Vice-President, and Harold C. Frankel, Treasurer. Mr. Fairman and Mr. Frankel were partners in Fairman & Co., with which Mr. Hale was associated as Cashier.

With H. L. Robbins Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Carl P. Sherr has become associated with H. L. Robbins & Co., Inc., 40 Pearl Street. He was formerly with Gibbs & Co.

Public Utility Securities

By OWEN ELY

Utility Common Stocks Favored By the Analysts

At the New York Utility Analysts' Luncheon on Wednesday, April 22, the analysts attending were polled to determine their ideas as to first, second and third choices for the most favored utility common stocks. Of approximately 200 analysts attending this meeting, 121 filled out the questionnaires and named a total of 75 companies. The following are the 25 companies receiving the most votes for first choice:

	Votes
Texas Utilities	9
South Carolina Elec. & Gas	9
Southern Company	7
Central and South West Corp.	6

The following companies received 4 votes each:

Oklahoma Gas & Electric
Commonwealth Edison
Columbia Gas
General Public Utilities
West Penn Electric
Consolidated Edison
American Gas & Electric

The following companies received 3 votes each:

Niagara Mohawk Power
Empire District Electric
Consumers Power
El Paso Natural Gas
Houston Lighting & Power
Montana Power

The following companies received 2 votes each:

Florida Power
Middle South Utilities
Washington Water Power
Pacific Gas & Electric
General Telephone
Cincinnati Gas & Electric
American Natural Gas
Arkansas Louisiana Gas

On a weighted basis, giving 3 points for each first choice, 2 points for each second choice, and 1 point for each third choice, the following 10 companies received the most points:

	Points
Texas Utilities	52
South Carolina Elec. & Gas	43
Southern Company	38
Central & South West Corp.	31
Middle South Utilities	24
Niagara Mohawk Power	22
West Penn Electric	22
Consolidated Edison	20
Oklahoma Gas & Electric	19
American Gas & Electric	18

The major consideration in the analysts' selection appears to be the growth factor. Growth can be measured in many ways—in increased KWH sales, in revenues, in share earnings, and in market price. But for various reasons utility managements cannot always translate sales gains into larger income available for common stock. Sometimes share earnings gains are slowed up by the management's desire to improve the quality of the common stock by raising the equity ratio. In other cases rapid growth is fortuitously combined with other favorable factors, such as a sharp reduction in generating costs by installing new plants, rate increases, refunding savings, etc.

Sometimes there may be a sudden and dramatic improvement in share earnings due to a combination of factors, such as has occurred with South Carolina Electric & Gas—which earned 52c on the common stock in 1951 and 90c in 1952, and hopes to achieve $1.62 by 1954.

The regulatory setup is also important. The Texas companies have been favored in this respect, being able to convert growth into higher share earnings without having to worry very much about the return on the rate base. There is no state utility commission, and Texas State law mentions 8% as a maximum rate of return (compared with 6% or less used by commissions in most other states) though even this "limit" has been exceeded in some cases.

Joins J. K. Mullen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Roscoe E. Ayres has become associated with J. K. Mullen Investment Company, U. S. National Bank Building. Mr. Ayres was formerly with Harris, Upham & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

According to present indications fire and casualty insurance companies are experiencing a favorable year from the standpoint of both underwriting and investment operations.

Although insurance companies do not as a general practice issue interim operating statements or publicly release information between the usual six months' periods, occasionally some company publishes figures and comments about current operations. While such statements are not necessarily indicative of results to be expected from a full year of operations because of seasonal considerations and the character of the business, they do, when compared with earlier periods, provide some indication of trends within the industry and their impact on a particular company.

The Glens Falls Group's report for the first quarter of 1953 is interesting in this connection.

Net premiums written by Glens Falls in the initial quarter of the current year showed a gain of 15.1% rising from $16,055,000 reported in the first quarter of 1952 to approximately $18,480,000. Earned premiums were higher by 14.7% amounting to $16,990,000 as against $14,811,000. Net income after taxes totaled $543,365 as compared with $145,185 in the earlier period.

Engaged in practically all phases of the fire and casualty business and writing a wide range of risks, this showing of Glens Falls is encouraging.

Part of the improvement undoubtedly arises from the better rate structure in some of the automobile liability lines. The loss ratio of the industry has also been helped by the mild winter weather. Most of the major cities throughout the country were comparatively free from ice and snow in the early months of the year, so that losses from accidents resulting from this important hazard are believed to have been relatively light.

On the fire lines the underwriting experience continues favorable. Although destruction by fire as reported by the National Board of Fire Underwriters, has been running ahead of 1952, amounting to $300,198,000 for the first four months as compared with $283,714,000 in the similar period of a year ago, the ratio of losses to the total value of insured property has been well controlled. In other words, the value of the insured property has been increasing—providing a larger volume of premiums—at the same time that losses have been rising. The net result has been that margins have been maintained enabling the companies to earn a fair return on this business.

Final results from some of the severe windstorms and tornados will not be known for sometime. However, this forms a relatively small part of the total business and losses, while large, should be absorbed without impairing overall profits.

The investment results have generally been favorable. Increased premium volume has provided new funds for investment. Interest rates have been rising rapidly and although losses have been incurred on outstanding obligations, new commitments have been made at substantially higher yields.

On stock holdings, companies have received as much in income and in some cases more than in the similar period of a year ago. There have been some dividend reductions but the increases more than offset this decline. According to the Department of Commerce, corporations issuing public reports in the first four months of 1953 paid in dividends 4.5% more than in the like period of 1952.

Thus the combination of these factors—larger investment funds, higher yields on bonds and increased dividends, should enable most companies to report a gain in investment income.

Taxes, of course, may be higher. Better underwriting results and increased investment earnings may necessitate a higher provision for this liability. In spite of this, however, most companies should be able to report an increase in operating income.

For these reasons the operating results to be reported for the first six months of the current year will be particularly interesting.

Watt & Watt, Inc. To Open in New York

Watt & Watt, Incorporated, American affiliate of Watt & Watt, Toronto, members of the Toronto Stock Exchange and other leading Canadian Exchanges, will be formed with offices at 70 Pine Street, New York City. Alfred M. Erlich, formerly Manager of the Foreign Securities Department of Hayden Stone & Co., will be in charge of the new office.

Neiley Asst. Mgr. For Goodbody, Boston

BOSTON, Mass. — Goodbody & Co., members of the New York Stock Exchange and other leading security and commodity exchanges, announces that Richard B. Neiley is now associated with the firm as Assistant Manager of its Boston office, 140 Federal Street.

Continued from page 11

Looking Ahead at The Capital Markets

panded in the 1920s are not important today.

Now, therefore, we have predominantly a cash market which expands or contracts only very, very sluggishly to meet a fluctuating demand for funds. As previously mentioned, we lack active commercial bank participation, we no longer have available individual bond buyers or the mechanism for gathering their funds, and the policy of the Government is opposed to making more funds available to meet a persistently strong demand.

The change in bond prices, moreover, acts as a severe penalty against the thrift institution which might wish to shift from Government securities into new private offerings. When the Victory 2½% bonds are selling below 92, relatively few thrift institutions are in a position to take the loss involved even though there are seemingly limitless opportunities to reinvest at substantially higher rates. Thus, the supply side of the bond market has become largely restricted to the actual flow of savings into the leading flow of savings into the leading thrift institutions and pension funds. If the demand for funds on private account is slightly less than this flow, obviously we should look for a stronger bond market. On the other hand, if the demand is excessive by even a few hundred million dollars, weakness in bond prices should be anticipated. Furthermore, as long as the Treasury is an important factor in the same market, it is likely to be the controlling one because of the magnitude of its operations.

This characterization of the bond market should be constantly kept in mind because we all know that a cash market behaves differently from one in which there is ready access to credit. Instead of a broad market showing relatively minor changes in prices, we know that a cash market is thin, lacking continuity in prices, and making much wider swings under changing circumstances. This is, of course, the explanation for the rapid changes in bond prices which we have seen compressed into a very short period of time. The best illustration I can find is from the actual record of this year. In the public utility new issue market the January rate for high quality bonds was about 3.25%; in February and March it was about 3.40%, it reached 3.50% early in April, and rose above 3.80% early this month. In the past, it has taken many months and even years for such a major change to unfold in the absence of a panic or crisis situation. The thinness of the bond market has not been confined to corporate obligations. It has been equally characteristic of Government bonds of which even small offerings have caused drastic price declines.

The Present Outlook

Under these circumstances, it seems safe to conclude that whatever changes occur will be substantial rather than moderate and abrupt rather than gradual. Borrowers and lenders alike are faced with enforced participation in a game at high stakes of guessing the course of business activity and the supply and demand situation most likely to result.

No great amount of imagination or judgment is required to gauge the prospective volume of the savings flow. We can expect a relatively small margin of error in anticipating that: Life insurance assets will grow by $5¼ billion; Mutual savings banks assets by $2 billion; Savings and loan associations assets by $3½ billion; and Trusteed pension funds will grow by $1¾ billion. Thus for the current year of a total of $12 billion will be available for the demand from private borrowers for plant and equipment outlays, real estate financing, and working capital requirements. The critical question is whether this savings flow will be enough for private demands **plus** whatever demands on the market the Treasury decides to make.

In appraising the demand on private account, I feel very sympathetic to the plight of the ancient Greeks. They were in the habit of going to the oracle at Delphi, making a generous votive offering, and listening attentively to the whisperings which emerged from the rustling of the dry leaves. Invariably what was heard from this high authority was susceptible of interpretations which varied widely, and all too often the petitioner heard precisely what he wanted to hear from the equivocal utterances of the oracle.

The parallel with the present situation is striking, first because sound economic argument can be adduced on either side of the question and, second, because the same set of so-called "facts" can be quite variously interpreted. I could, therefore, readily support the belief that we have only begun to see the impact of tight money, or I could convincingly argue that the major adjustment is behind us and that we should anticipate some easing in interest rates over the next year or two. I happen to share the feeling that the latter development is more likely because I do not see a strong business picture or an inflationary trend unfolding in the months ahead.

My opinion is not of any great value, however, because it is not an important influence on monetary and credit policy. It is much more pertinent to observe that the Federal Reserve System and the Treasury are working together on what is basically an anti-inflationary policy. The Federal Reserve is keeping the banks in a tight position and by agreement with the Treasury is not making it easy to extend maturities of the public debt or to raise new money outside of the banking system. The Treasury is fully prepared to pay higher rates in competing against private borrowers for nonbank funds. As long as these policies are so vigorously pursued, higher interest rates are the natural consequence.

Not a Long-Term Trend

Such a conclusion does not, however, imply that this trend should be measured in years; months are probably a much more appropriate unit. In my opinion, we should not look for secular trends in interest rates extending over long periods of years. Rather, we should expect a cycle of about the same duration as the cycle in business investment as exaggerated or modified by inventory policies. Because the savings flow is so much more stable than these and other elements of demand, we can count upon fairly frequent changes in the price of long-term funds.

If we should run into a period of less active business, its influence on the capital markets is easy to anticipate. The resulting decline in the demand for funds from private sources would be quite pronounced and the monetary authorities would be prompt to shift away from current restrictive credit policies. This combination of events could create the foundation for a major decline in rates.

The reason why the situation is so susceptible to change is that corporations in the aggregate borrow only a small fraction of their requirements. The tally for the seven postwar years on where over $160 billion of long-term money came from is as follows:

	% of Total
Retained earnings and depletion allowances	41.6
Depreciation	30.7
Term bank loans	2.3
Mortgage loans	3.3
Net new issues—Bonds	14.1
Net new issues—Stocks	8.0
	100.0

Because of the essentially marginal character of the recourse to the capital markets, a modest decline in business such as that from 1948 to 1949 had the effect of reducing the reliance on external sources of long-term funds by more than one-third.

The same situation prevails in the real estate market. In financing residential housing, lenders have to place $3 in new mortgages in order to increase their portfolios by $1 because of contractual amortization and repayments. A relatively modest decline in new construction could drastically reduce what has been a principal outlet for thrift institutions in the postwar years.

Thus, we can state with assurance that it would not take much of a change in the business picture to alter the supply-demand relationships in such a way as to produce a real easing in the capital markets. The business outlook is clearly the critical factor in the outlook for interest rates and bond prices.

The burden of my remarks up to this point has been to establish the fact that we are observing a bond market in which we must be prepared for abrupt and sizable changes. Interest rates have been made highly sensitive to business conditions and the policies of the Treasury and the Federal Reserve. What are the implications for the financial policies to be pursued by businessmen? It seems to me that there are at least three major points to consider in the present tight money environment.

A Premium on Good Borrowing Relations

This is one of the times when good relations with lenders and investors are at a premium. A record of maintaining good balances with depositary banks and keeping them well informed about plans and policies is exceedingly valuable when the problem is obtaining short-term credit. In dealing with long-term lenders and investors, consistently reliable information about past and present operations must be provided at all times. Evidence that financial planning for the future is done with care and competence is also an invaluable asset to a borrower in a period of tight money such as this.

It is fashionable nowadays to talk about having good "communications" within our business organizations. The counterpart for the company coming to the capital markets is a good interchange of ideas on business and financial polices with underwriters, institutional investors, and all other potential buyers of its securities. Great progress has been made along these lines during the postwar years, but the accomplishments of each company can be rated only at a time like this when it is the lender and not the borrower who is in the driver's seat.

A Bonus for Good Controls

It is self evident that a reduction in requirements is the best way to ease a borrowing problem in a period of tight money. Good control over inventories, care in the extension of trade credit, and strict budgeting of plant expenditure programs can effect impor-

tant savings in working capital needs. Since the value of such savings rises with the rate of interest, it is apparent that effective controls earn a special bonus under present conditions.

In addition to economizing on the need for working capital, controls have their usual importance in maintaining and stabilizing profit margins. Under the more highly competitive conditions which are bound to prevail in the months and years ahead, the lender and the investor will be looking closely at the size and stability of profits. There exists also in this period of high volume an opportunity to work on the apparently rigid elements in the cost picture in preparation for the day when less active business will really test the ability to control expenses and to reduce overhead. A second bonus for good controls, therefore, will be realized at some point down the road when perhaps money may not be quite as tight but the credit standards of lenders may be justifiably higher.

A Time to Consider Equity Money

The final point which I should like to make on the implications for financial policy of this outlook for the capital markets concerns the matter of raising money through the sale of equity securities. Because interest payments have always been deductible from high income taxes, adherents to the sharp pencil school of financial planning have been quick to point out how light is the real burden of interest charges after taking taxes into consideration. In a period of prosperity and buoyant prices, the carrying of even fairly large interest charges has seemed quite easy. In contrast, the prospect of paying dividends on equity securities after taxes has appeared to be a very costly way of acquiring long-term investment funds.

In this environment, the repayment of debt on a serial basis or through the operation of sinking funds has been related to depreciation accruals in the years ahead. Because the depreciation item is deductible for tax purposes, it is often thought that debt repayment is also a pretex proposition. The assumption that future depreciation will not be needed for the replacement of capital assets is the one to question. Actually, experience has been quite to the contrary. Particularly for companies having a slow rate of turnover in the plant account, depreciation accruals have proved quite inadequate for replacements and certainly not sufficient to provide for the amortization of debt.

In recent years, therefore, it has been erroneously assumed by some business managements that debt is very easy to carry and convenient to handle, whereas it is difficult to earn sufficient funds to avoid diluting the stockholders' equity if expansion plans are met largely through the sale of stocks. I believe that in a tight money market such as this, it is appropriate to re-examine these notions and to remember that a strong equity position is essential to the maintenance of a high credit standing. We can also properly bear in mind our knowledge from experience over the years that debt is the burdensome method of financing. Equity capital, on the other hand, provides flexibility, freedom to embark upon new ventures, and the basis for preserving the ability to borrow at the time when this privilege may be of crucial importance to the company's future. Furthermore, stock prices have come a long way from the levels of 1947, 1948, and 1949, and in many instances the current market represents a fair to liberal appraisal of earning power. The case for going to the equity market may not be compelling but it certainly is the strongest in more than twenty years.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury came along with a one-year certificate bearing 2⅝% to take care of the June maturities of 1⅞% certificates and the 2% partially exempt bonds. The offering was about in line with expectations. Likewise the fact that there was only one issue offered to the holders of the maturing obligations was not unexpected because the longer-term market does not seem to be in condition at this time to absorb more bonds, except at substantially higher rates. The debt lengthening policy of the monetary authorities appears to have been passed over for the time being. There will most likely be a renewal of this operation when conditions warrant it.

2⅝% Rate Highest Since 1933

The 2⅝% rate for a one-year issue is the highest rate the Treasury has paid since the bank holiday of 1933. It is believed that the 2⅝% coupon for Treasury certificates will hold the attrition down, despite the tight money market that prevails. It is also felt that corporations with funds will be attracted to the new refunding obligation because of the 2⅝% rate.

The firmer tone which had been evident in the government bond market, especially in the longer end of the list, reflected selective purchases of investors, traders, state funds and Federal agency accounts, according to those that make markets in these securities. The quiet firmness which had been on display in Treasury issues had taken the longest outstanding bond, the 3¼% due 1978/83, about back to the price of 100 at which it was originally made available to the public when the government went into the open market to raise $1,000,000,000 of new money to meet the needs of the Treasury.

Holders of Long Bonds Want "Out"

Although there had been some fairly steady progress on the upside in the past few days as far as the new 3¼s are concerned, the move up to the par level was brought about on not too much volume or activity. However, when the new bond had about made it back to the starting point of 100, there was, and according to reports, there still is, plenty of these bonds for sale at the initial offering figure. Some sales have been made at the 100 level, but until the very substantial amount of 3¼s that are overhanging the market are absorbed or withdrawn, it is not going to be so easy to make progress on the way up.

To be sure, if the monetary authorities should make changes in their policies toward the money market and ease the situation somewhat, this should give the whole government market a fillip. Under such conditions, the longest term issues, including the recent 3¼s and the most distant 2½s should respond marketwise to such a stimulant and this should be reflected in better market action for these obligations. This might, however, be only a temporary betterment because so many owners of the longer-term Treasury issues are just waiting for higher prices to come along in order that they can get out of these securities. The confidence factor as far as the long-term government bonds are concerned has been badly shaken by recent developments and it is not going to be easy to bring it back to where it was. Accordingly, there will be bonds for sale as prices reach levels where the holders can get out of them without too much sacrifice on their part.

Demand for Short Issues Unabated

The short-term market has been and, according to many followers of the money markets, should continue to get the bulk of the demand because here is the sector that still seems to have the marketability and stability which buyers of Treasury issues are now seeking. There have been temporary periods of uncertainty in the near-term issues, but this should not be any more pronounced than it has been even with the Treasury using the shortest of maturities as part of its program of raising new money to meet the deficit. It is being assumed of course by those that are currently buying Treasury bills that the tightness in the money market as a whole will not be accentuated much more than it has been already.

Tight Money Policy at Peak

Although spokesmen for the powers that be continue to indicate that prevailing policies will not be changed, there are feelings around that the tightness in the money market has gone about as far as it will go for the time being. It is being pointed out that the restraint which has been on in the money markets has been very vigorous in the past few months and it has been done so rapidly and so severely that it has tended to have a rather demoralizing effect upon the government securities markets. A breathing spell would not be out of order at this time because it should enable the money market to regain a semblance of its former equilibrium. Then again the deficit financing and refunding operations could stand a somewhat more favorable climate in the money markets.

Two With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. —Edwin E. Hendrickson and James T. Love have become associated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Hendrickson was previously with Davies & Co. Mr. Love was San Mateo representative for Wilson, Johnson & Higgins.

With R. C. O'Donnell

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — George J. Giuliana is with R. C. O'Donnell & Co., Penobscot Building, members of the Detroit Stock Exchange.

With Kneeland & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Francis S. Wilson, Jr. has become associated with Kneeland & Co., Board of Trade Building, members of the Midwest Stock Exchange. In the past Mr. Wilson was with Fuller, Cruttenden & Co. and has recently been with Standard & Poors Corporation.

Joins Jaffe, Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Hilda J. Riley is connected with Jaffe, Lewis & Co., 1723 Euclid Avenue, members of the Midwest Stock Exchange.

Railroad Securities

Chicago & North Western

One of the strangest aspects of the prolonged bull market in railroad stocks has been the failure of the more speculative issues to display any marked or prolonged strength. Some buoyancy was displayed in this section late last week but it remains to be seen whether or not this is another abortive move. The buying has in large measure been confined to the investment and semi-investment categories or to scattered special situations. Periodically there will be flurries in New York Central, Baltimore & Ohio, Chicago Great Western or others of like caliber but consistently when such buying has taken place it has failed to carry through. On the whole these stocks have gone nowhere. Most analysts attribute this unusual condition to the fact that interest in the rail group has largely been confined to the institutional buyers. The group has attracted very little in the way of an individual following.

Students of general market conditions consider this lack of public speculation in carrier equities as an element of fundamental strength and there is widespread confidence that there is little danger of any wide break in rail stock prices while this condition exists. Be that as it may, it would be unprecedented if these secondary issues were not eventually to participate in the renewed confidence being expressed toward the status of, and outlook for, the industry. Restoration of investment confidence normally, sooner or later, finds reflection in renewed speculative interest in the more poorly situated companies.

One of the highly speculative situations that has been pretty well ignored in recent years, but which attracted some interest last week, is Chicago & North Western. This is traditionally a high cost operation with a number of basic weaknesses such as a large passenger commuter business, a relatively short haul on a sizable proportion of the freight handled, and a substantial amount of low density milage. The company has one of the highest transportation ratios and lowest profit margins in the industry. Periodically its operations are hampered by severe winter weather conditions. This combination of factors has been highlighted by failure of the company to earn, or pay, the full preferred dividend in three of the past four years. This preferred is cumulative only to the extent that the dividend is earned.

The company's long-term earnings record is admittedly not calculated to generate any enthusiasm for the stocks. The management has gone in heavily for dieselization and is taking other aggressive steps to try and get expenses under control. There is certainly no conclusive evidence to date, however, that it has been able successfully to surmount the many fundamental difficulties inherent in the territory served and the type of operation. Nevertheless, even with this background there are indications that the road may be in for quite a good year in 1953. If these hopes are borne out, many rail analysts have come to the conclusion that the common stock may have quite interesting speculative price potentialities. It is pointed out that the management has been traditionally liberal so far as dividends are concerned when there have been any earnings, and the strong financial status of the road justifies the expectation that such policies might well be continued. As recently as 1948 the common paid $2.00 a share.

The company has had a favorable break so far as weather is concerned so far this year. As a result, and further aided by additional installation of diesel power, earnings comparisons to date have been quite favorable. The road's operations and earnings are highly seasonal. The opening months are the poorest of the year, many years resulting in operating deficits. All earnings generally accumulate in the second half, with the fall months being the best. For the first quarter of the current year gross revenues were only nominally above the levels of a year ago. However, the transportation ratio was pared more than two points and other costs were under strict control. The company was able to report income of $362,586 available for charges, an improvement of $985,108 over the deficit before charges of $622,522 sustained in the opening quarter of 1952. With this good start and traffic prospects favorable for coming months it seems possible that there may be significant earnings available for the highly leveraged common stock for the full year 1953.

Wm. H. Boggs With Carl M. Loeb, Rhoades

Wm. H. Boggs

William H. Boggs has become associated with Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange. Mr. Boggs was formerly Manager of the Trading Department for Hill, Thompson & Co., Inc.

Ginther, Johnston Co. Formed in Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Nelson D. Ginther and John R. Johnston have formed a partnership, Ginther, Johnston & Co., with offices in the Union Commerce Building. Mr. Ginther was formerly proprietor of Ginther & Company, dealers in State, county and municipal bonds. Mr. Johnston was Vice-President of Field, Richards & Co. in charge of the corporate department.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Harold E. Hardiman of the **Chase National Bank's** National Park Branch in **New York City** and John T. Inglesby of Chase's Bond Department have been promoted to Second Vice-Presidents. Four new Assistant Cashiers named were: John S. Campbell and Dudley S. Suits of the Trust Department and Wilbur B. Boemermann and William H. Siddons, Jr., of Head Office operating departments. Named Managers in New York City branches were: William G. Andersen of the National Park Branch and George J. Suter, 79th Street Branch. Promoted to Assistant Managers were: Willard C. Butcher, Importers & Traders Branch; Clifford T. Mahler, Prince Street Branch, and Palmer O. Turnheim, 42nd Street Branch.

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Election of Augustus J. Martin to the Board of Trustees of the **United States Trust Company of New York** was announced on May 7 by Benjamin Strong, President of the concern which recently celebrated its 100th Anniversary.

Mr. Martin has been a Vice-President of the company since 1946. He joined the company in 1928, and for a number of years, has had general supervision of all investment functions. Mr. Martin is Chairman of the Joint Finance Committee of the Commercial Union Group and Chairman of the Local Boards of the British Fire Insurance Companies, Commercial Union Assurance Co., Ltd., The British General Insurance Co., Ltd., The Palatine Insurance Co., Ltd., and Union Assurance Society Ltd. He is also a member of the American Board of the Ocean Accident Guarantee Corp., and a Director of the Commercial Union Fire Insurance Co. of New York and Columbia Casualty Co.

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At a meeting of the Board of Directors of **The National City Bank of New York**, held on May 19, Carl W. Desch was appointed an Assistant Vice-President and Harry F. Meyers was appointed an Assistant Cashier. Mr. Desch, formerly an Assistant Cashier, is associated with the Domestic Branch Administration of the Bank at Head Office.

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At a meeting of the board of directors of **City Bank Farmers Trust Co. of New York** on May 19, Edward F. Mitchell, formerly an Assistant Trust Officer, was appointed a Trust Officer and Arthur Hall was appointed an Assistant Trust Officer. Messrs. Mitchell and Hall are assigned to the corporate trust division of the trust company at head office.

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The annual meeting of the Quarter Century Club of the **East River Savings Bank of New York** was held on May 19, with a dinner at the New York Athletic Club. Attending their first Annual Meeting were new members Walter W. Kennedy, Reginald A. Le Quire, Gomer A. Wolfe, J. Walton Robertson, and James De Lucci. Andrew Benzoni is President of the Club.

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Frederick H. Viemeister, an Assistant Vice-President of **Manufacturers Trust Company of New York**, has been elected President of **East Brooklyn Savings & Loan Association, of Brooklyn, N. Y.**, effective July 1, it was announced on May 19 by Clifford F. Post, President of the Association for the past 11 years. Mr. Viemeister has been engaged in banking throughout his entire career, starting in 1919 with the old Bank of Coney Island, continuing as manager of the Coney Island branch of the **Brooklyn Trust Company**, and rising in succession to Assistant Vice-President, Supervising Officer, and finally Supervisor of Personal Loan and Consumer Credits for that company. After the merger of Brooklyn Trust with Manufacturers Trust in 1950, Mr. Viemeister was transferred to the Personal Loan Department of Manufacturers Trust, and in 1952 was appointed an Assistant Vice-President. Mr. Post, the retiring President, assumed his office in 1942, when total assets of the Association were under $2½ million. As of April 13, 1953, assets stood at more than $9 million. He had previously been Secretary of the New York State Bankers' Association, President of the Bondicator Company, Inc., Vice-President of the Jamaica National Bank, Jamaica, N. Y., and Cashier of the American National Bank of Bradenton, Florida. Mr. Post will remain a Director of East Brooklyn Savings and Loan. He is also a Director of the First National Bank of Port Jervis, N. Y., and a Director and First Vice-President of the Savings and Loan Bank of the State of New York, the central bank of credit for State-chartered Savings and Loan Associations. Following his retirement, he will reside in Port Jervis, continuing his Directorships and connected committee work.

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An increase in the capital of the **Peoples National Safe Deposit Company of White Plains, N. Y.**, from $20,000 to $100,000 was approved on April 24 by the New York State Banking Department. The par value of the shares is $100 each.

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Plans to increase the capital of the **Central Trust Co. of Rochester, N. Y.**, from $1,440,000 (in 72,000 shares of common stock, par $20 per share), to $1,728,000 (in 86,400 shares common, par $20 each) were approved by the New York State Banking Department on May 7.

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A merger of the **Yardly National Bank, of Yardly, Pa.** (common stock $100,000) with the **Bristol Trust Co. of Bristol, Pa.** under the charter and title of the latter became effective April 10, according to the weekly Bulletin, May 11 of the U. S. Comptroller of the Currency.

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The election of Norman P. Fernon, President of the **North American Acceptance Corporation (Bryn Mawr, Pa.)**, and Hardie Scott, Philadelphia attorney and former member of Congress, to the board of directors of the **Malvern National Bank, of Malvern, Pa.**, was announced on May 11. Mr. Fernon has been an executive officer of North American Acceptance Corporation since its inception, and in 1947 was elected President of the company. It was under his direction, it is stated, that North American was developed from a local operation into a nationally-known concern which presently operates 13 small loan offices in five states. Mr. Scott was a member of the 80th-82nd Congress. He has served as special counsel to the Secretary of Banking of Pennsylvania and special Deputy Attorney General of Pennsylvania. He is a graduate of Yale University (1930) and the University of Pennsylvania Law School (1934).

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Through a stock dividend of $25,000 and the sale of new stock of the same amount the capital of the **First National Bank of Burton, Ohio**, was increased as of April 24, from $100,000 to $150,000.

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The board of directors of the **Liberty National Bank of Chicago** have voted to increase the capital stock from $600,000 to $1,000,000 by transfer of $400,000 from the undivided and surplus accounts, according to Maurice Cohn, President. The Chicago edition of the "Wall Street Journal" of May 11 said:

"Declaration of a stock dividend of $400,000 has been recommended to the shareholders. Approval by stockholders of this action will give the bank a capital and surplus totaling $2.2 million, Mr. Cohn said. On Dec. 31, 1932, the bank's capital and surplus account was $400,000. Since then the growth of capital accounts has been derived wholly by retention of earnings, he said. The deposit growth during this same period is in excess of $55 million.

"The bank was founded in 1912 by 175 local businessmen, including the late Julius Rosenwald, former Chairman of Sears, Roebuck & Co., and members of the Morris family, former owners of Morris Meat Packing Co."

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A candle lighting ceremony in which business, civic and community leaders participated, featured the 70th Anniversary of **Pullman Trust & Savings Bank of Chicago** on May 7. It was on May 7, 1883 that George M. Pullman, pioneer sleeping car manufacturer, started a bank in the Old Arcade Building in the Town of Pullman, which was annexed in 1889. In observance of the 70th Anniversary, Pullman Bank held an open house on Thursday, May 7 and Donald O'Toole, Executive Vice-President, presided at the candel lighting ceremonies at 2:00 p.m. At that time, a 70-inch candle located on top of a huge birthday cake was lighted. Visitors to the bank were given an opportunity to guess the length of time the candle would burn, and prizes were awarded to the three persons coming closest to the length of the time of its burning. The bank's archives reveal that as of Dec. 31, 1883 the bank had total resources of $285,872.67. On the call date of March 23, 1953, the total resources were approximately $60,000,000. Pullman Bank, the sixth oldest bank in Chicago, moved to its present quarters on Dec. 6, 1926. During the bank's history, there have been five Presidents, George M. Pullman, Frank O. Lowdon, Edward F. Bryant, Donald R. Bryant and Bartholomew O'Toole, who has been President since 1932.

* * *

The remodeling of the Muskegon Heights office of the **Hackley Union National Bank of Muskegon, Mich.**, was started on May 1. The bank has leased the property immediately to the west of their Muskegon Heights office for a period of 50 years and leased an additional 12,000 square feet of property from the Chesapeake & Ohio Rwy. The remodeled bank quarters will occupy a building 84 by 76 feet. In addition there will be approximately 17,000 square feet available for auto banking and parking facilities. The remodeling of the Muskegon Heights office will be complete; in fact about all of the old building that will be retained will be the side and back walls. A new modern front of Indiana limestone and stainless steel is to be constructed. A new safe deposit and cash vault will be built in the rear of the present building. The safe deposit vault will have provision for 1,000 safe deposit boxes.

Upon completion of the Muskegon Heights remodeling, the office will be in charge of a Senior Vice-President and the necessary junior officers to conduct a complete banking service. Complete loan facilities will be available at the Muskegon Heights office. It is expected that because of the ample parking facilities at this office a great deal of the real estate mortgage loan and installment loan business now handled at the Muskegon office will be handled in the Muskegon Heights office. The Hackley Union National Bank in its statement of condition April 20, 1953, reported capital and surplus of $800,000 each, and undivided profits of $938,425; total deposits of $44,858,877 and total resources of $47,923,672.

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Through the sale of new stock to the amount of $50,000 the **North Dade National Bank of North Miami, Florida**, has increased its capital from $200,000 to $250,000, the latter having become effective May 4.

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The capital of the **National Bank of Fort Sam Houston at San Antonio, Tex.**, is reported on May 6 as $300,000, increased from $100,000 by a stock dividend of $200,000.

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An 80,000 share capital stock dividend to the stockholders of **Crocker First National Bank of San Francisco** was proposed by the directors at a meeting on May 14. The dividend stock would be distributed at the rate of one additional share of stock for every three owned as of June 25, 1953. The stock dividend plan calls for raising the capital of the bank from $6,000,000 to $8,000,000 by increasing the amount of capital stock from 240,000 shares ($25.00 par value) to 320,000 shares with the same par value. A special stockholders' meeting to consider the proposal will be held on June 25. A favorable vote of two-thirds of the outstanding shares is required to pass the resolution authorizing the stock dividend. The approval of the Comptroller of the Currency must also be obtained. According to J. F. Sullivan, Jr., President, it is contemplated by the board of directors that a quarterly dividend of 90 cents per share, equal to $3.60 per share per annum, will be paid on the 320,000 shares presently to be outstanding, beginning with the quarterly dividend payable Oct. 1, 1953. This dividend rate represents a 20% increase over the present dividend of $4 per share per annum, based on the increased number of shares of stock to be distributed to each shareholder when the stock dividend is approved. "Upon approval of the stock dividend," said President Sullivan, "$2,000,000 will be transferred from surplus to undivided profits and a similar amount from undivided profits to capital, following which the capital account will be $8,000,000; surplus $17,000,000 and undivided profits approximately $3,500,000."

Continued from page 16

In Defense of the Federal Reserve System

possible the adjustment of the money supply during this period in the orderly growth of the economy, without further inflation or speculative excesses. And this has been accomplished despite the diversion of economic resources to the defense program.

The Discount Privilege

All of us here have been affected in one way or another in this transition. Member banks have not had unrestrained access to Federal Reserve credit by the sale of government securities at known prices. In many cases they have had to come to the Reserve Bank discount windows to borrow reserves—and pay the cost of the borrowing. The officers and directors of the Reserve Banks have had to shoulder again the very important responsibility for these discount operations. The use of discount facilities has been termed a privilege. It is one of the privileges of membership in the Federal Reserve System. It is not an automatic privilege, however. The Reserve Banks are authorized to extend credit to each member bank with due regard for the claims and demands of other member banks, the maintenance of sound credit conditions, and the accommodation of commerce, industry, and agriculture.

When a member bank experiences unexpected drains on its reserves, it may appropriately apply to a Reserve Bank for credit. As it adjusts its operations to these new conditions, it is expected that the member banks will promptly repay these temporary borrowings. Member banks are expected to anticipate normal seasonal requirements and be in a position to meet them by adjustments in liquid assets with a minimum reliance upon borrowing at the Federal Reserve. The Reserve Banks, of course, stand ready to meet exceptional, or extraordinary needs for funds by member banks. All of the Reserve Banks are now authorized in a period of general stress to lend on any acceptable paper, not merely on so-called eligible paper.

These, I think, are the appropriate uses of the discount privilege. Clearly they do not contemplate misuse of that privilege for the purpose of enlarging a bank's capital base, or earning a rate differential, or facilitating speculation of any kind.

The initiative in the determination of discount rates is placed by the Federal Reserve Act in the boards of directors of the respective Reserve Banks—and this is a very important responsibility even though final determination of discount rates rests with the Federal Reserve Board. Similarly, the responsibility for granting or withholding loans to individual member banks is also vested in the directors and officers of the Federal Reserve Banks. They must be the judges. They are on the ground and are presumed to be familiar with local conditions, as well as the state of the economy nationally.

The Reserve Act, as I have said before, is an ingenious blending of public and private participation in a public intitution created by the Congress to regulate the money supply. The ingenuity is exemplified, I think, in the composition of the boards of directors of the Reserve Banks. They represent a broad cross-section of industrial, business, banking, agricultural, and professional activities, both large and small—and they in turn are called upon to act in the national interest and not for the special advantage of any

group or faction or section of the country.

They have a duty, also, to foster a wider understanding of the role that monetary policy should play—what it can and what it cannot accomplish.

The universal desire for orderly, steady economic progress, and a constantly improving standard of living, certainly cannot be achieved without flexibly administered monetary policy and action—with restraint on creation of excessive credit in a boom and a policy of liberal monetary ease when inflationary dangers no longer threaten stability.

Criticism of Federal Reserve policy and performance has mainly sprung from ascribing to monetary action an omnipotence that does not and would not exist—even if there were men omniscient enough to devise and execute monetary policy perfectly. I am not objecting to criticism — we should and I think we do sincerely welcome critical appraisal of our performance. But critical analysis and comment that can be useful in guiding future action, though it cannot rectify past mistakes, has to be well informed and understood.

The Federal Reserve Banks recognize, I know, the special responsibility they bear in their respective areas for gathering economic information and making it available. They have a duty to explain what they do, and why, in carrying out their part in the trusteeship over credit. The report on "Steps to Maintain Economic Stability" which was issued by the Committee on Economic Stabilization of the Board of Directors of the Federal Reserve Bank of Boston is a commendable example of informed discussion of economic affairs.

Your task is more than ever an exacting one—but it is an inspiring one. The trusteeship which this System and its member banks share is vital to the preservation of our system of private enterprise.

The System, I am certain, has made a notable contribution to the attainment of the sustained economic progress of the past two years. It can, I am confident, continue to make an important contribution in the years ahead.

That confidence I deeply feel. I was asked the other day in Detroit what would happen to us after a few years of a genuine peace—and I can do no better, in concluding these remarks tonight, than to give you the reply as I made it then:

"I can only give you my philosophy on this. To me the most heinous statement that is made by some people is that war leads to prosperity, or that war is prosperity. I can't conceive of an economy based on war that can ultimately be prosperous. We have to go through certain readjustments to have an intelligent peacetime economy. We've got to have our business based on initiative and competence and salesmanship—on raw materials and products—and not on dependence upon spending for war purposes. I believe that this country has the flexibility — and the capacity — and the character—because it requires character—to unravel this ball of twine that we've wound up, and to do it in a way that will lead us to a higher, a more expansive, and a better standard of living for all of the people. I have that faith."

With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Robert P. Woodburn has become associated with Goodbody & Co., 218 Beach Drive, North. He was previously with W. H. Heagerty & Co.

Analyzes Outstanding Consumer Credit

William J. Cheyney, Executive Vice-President of the National Foundation for Consumer Credit, in an economic appraisal of current consumer credit situation, contends nation is experiencing shift in consumer buying habits and denies people are "head over heels" in debt.

In a statement issued by the National Foundation for Consumer Credit, William J. Cheyney, Executive Vice-President of the organization, provided data on the volume of consumer credit outstanding and gave his own analysis of the figures.

William J. Cheyney

According to Mr. Cheyney's statement:

"The Federal Reserve reports a total of about \$25,250,000,000, which often is used erroneously when the discussion really is on instalment outstandings. The Federal Reserve shows about \$18,875,000,000 on instalment balance.

"This, the \$18,875,000,000, must be broken into its components:

"(a) Automobile paper, about \$8,500,000,000.

"(b) 'Other consumer goods paper,' about \$5,000,000,000.

"(c) FHA real estate modernization, about \$1,500,000,000.

"(d) Instalment loan paper, about \$3,900,000,000.

"It is only in the instalment area that consumer credit controls are considered. Even here, of course, such controls actually would affect but a segment; not to more than 10% of the segment of the total of consumer obligations, \$18,750,000,000 total—or on not more than \$1.9 billion: for a regulation affects only those buyers who, in the absence of such regulation, would sign contracts on terms 'easier' than the regulation would allow."

Commenting on these figures, Mr. Cheyney points out:

"(a) At least one-third of the automobile credit outstanding represents indebtedness for vehicles used 90% or more for business, professional, and 'making a living' purposes. But all automobile paper is charged by the Federal Reserve to consumer debt.

"(b) Among the 'other consumer goods paper' (\$5,000,000,000) is the indebtedness of clubs, rooming houses, small hotels, doctors, lawyers, and business people for furnishing and equipping their enterprises.

"(c) Real estate modernization loans, for the most part represent debt of investment character. They deal with increasing real estate value; are not debt of consumers for consumption purposes.

"(d) The \$3,900,000,000 charged to consumers under 'personal instalment loans' includes loans to small business; doctors, lawyers, rooming houses, hotels and others; also a considerable portion of loans made to purchases of securities and other investments. The total is found chalked up as 'consumer' debt."

As to the question whether consumer credit today is too high, Mr. Cheyney offers the following remarks:

"When considering the amount of consumer indebtedness, it is the usual practice to compare the present total with those at the end of World War II. The following criteria are rarely given sufficient thought:

"(1) As World War II ended there was practically no production of appliances, wool rugs, etc., for consumers.

"(2) About 10,000,000 families were living two or more families to a dwelling place, house or apartment. Millions of newly married couples (for the most part in military service) existed as buying units but had established no separate quarters.

"By 1953, most of the families involuntarily 'doubled up' had expanded into individual home units; required the necessary furnishings, etc. to make these operative.

"(3) There are 25% more family units today than in 1942-43-44. (In 1939 there were about 39 million family units—in 1953, 57 million.) If each of these units were to live on a standard equal to that enjoyed by the prewar families and if each new family took on the same dollar debt load as the others, in average, the amount of consumer credit outstanding must increase pro rata.

"(4) The value of the dollar having decreased approximately 50% or so since 1940, even had there been no change in population or number of family units, today's consumer debt must be twice what it was in 1940 to maintain a status quo debtwise; i.e., if a refrigerator costs twice as much in 1953 as in 1940, and the buyer in each period paid 10% down on the purchase price, the amount of debt incurred in dollars would be twice as great in 1953 as in 1940 without any relative change in the effect of consumer debt upon the economy."

Explaining the growth of consumer credit, Mr. Cheyney states that: "the nation has moved steadily in a long-term general trend toward greater use of the mechanical conveniences of the scientific age. As larger shares of the consumer dollar are spent for the more lasting products, there must be a concurrent increase in the amount of consumer credit used, hence in the amount outstanding, purely to reflect this long-term healthy trend. (It should be remembered that purchase of the heavier durable equipment by consumers constitues a form of investment; hence, its purchase represents gradual accumulation of wealth. The possession of such equipment by the American family represents wealth, much as does its possession of cash in bank, insurance, and other assets.)" . . .

"It is the announced policy of the Administration to cutback the cost of government, both its defense expenditures and its domestic commitments. For every billion dollars of government expenditure lost to our economy, another billion dollars of civilian or consumer business must be found to take its place. Otherwise our economic prosperity must falter.

"Our problem, therefore, is to find new markets, new appetites for improved methods of living. Certainly it is not common sense to put any damper upon the willingness of the public to purchase the products of our mills at this time. These products are made by American workers, the heads of our families, who are in turn our consuming units. We live in an economy of the endless chain variety.

"The proper use of consumer credit is a stabilizing economic force, without which the nation in its present highly industrialized state, could not hold its own; obviously could not progress."

Securities Salesman's Corner

By JOHN DUTTON

Most People Do Not Read The Prospectus — But Some Do!

There may be quite a few people in the Securities and Exchange Commission who won't agree with what I am going to "beef" about this week—possibly some in the N.A.S.D. also, but I believe there will be a good many salesmen and dealers who will agree with my point of view. I don't think it serves any purpose to complain and discuss what's wrong with any business unless you can do something to make it better. I think its about time for some corrections to be made in SEC policy regarding advertising that are long overdue. Then just this week I understand that the N.A.S.D. has come out with a request for copies of all advertising used by dealers in fostering the sale of Mutual Funds, including copies of form letters where a central theme is used. I don't think any dealer in his right mind is going to use the mails to misrepresent fraudulently any Mutual Funds that he wishes to place before prospective buyers. We have laws against that sort of thing and we've had them long before SEC and N.A.S.D., but the bureaucrats have to keep on placing more and more hurdles, more letter writing, more file work, more uncertainty before the hardworking dealers and salesmen who are out trying to do a good job day after day, and who have enough frustrations in the natural course of their work as it is. Selling Mutual Fund shares is not any easy job—people who do it are not out to fleece anyone that I know of—if they were I don't think they would do it trying to sell Mutuals. Or maybe I am just naive about this—but I don't think I am.

There may be a few dealers and salesmen who "oversell" the Mutual Funds, possibly there have been some so-called abuses, but who is going to get hurt when they invest in a good fund? Don't you think that all this regulation and rigmarole about letters and advertising, etc., is going pretty far? How many foolish dealers and salesmen are there that are breaking laws — I mean doing things that are downright harmful to the public? How many people can be hurt when they buy a Mutual Fund? Aren't they buying a good investment? In any event, I think the present rules are silly. Here is a case:

The present prospectus is supposed to be left with all prospects and delivered before the sale is consummated. I know of a case where a lady who had never bought securities in her life was ready to make her first investment in a Mutual Fund. She read the prospectus and these words in large bold type right across the front page created doubts and worry in her mind. "THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE." Words such as these are unnecessary, they create doubts in the mind of the untutored lay investor; the word **criminal** associates the offering in the subconscious mind of the prospect with such things as dishonesty, losses, fraud, etc. This clause should be eliminated—it serves no purpose. It hurts sales.

The prospectus itself is a cumbersome technical document that should never be used as sales material. Can you imagine the Life Insurance companies selling policies by delivering the whole contract in sample form and asking the prospect to read it before buying? It is true that Life Insurance underwriters occasionally suggest that some people read their contracts, but only a few are able to understand and analyze them. The Life Insurance business today has matured to the extent that life underwriters make the decisions for their clients as to what type of coverage they should buy and also what amounts they should carry.

My point is: Let us make some sensible rules to guide us in our selling and advertising. Let's clean up the prospectus and make it a simple document that helps us sell good securities not kill sales. Let's grow up in this business for a change. Let's go out and sell our merchandise like people in any other line of endeavor where we can tell the good points of what we are offering, give our reasons in plain English why people should buy, and use past performance intelligently to indicate the reasons for our recommendations.

Quite frankly, I doubt very much whether we will ever get to this desirable position in the securities business until we have a complete revision of the Securities Acts, or an elimination of the Commission altogether.

J. O. Winston, Jr., Dir.

James O. Winston, Jr., who has been active in business enterprises in the Houston area for the past 20 years, has been elected a member of the board of directors of Brewster-Bartle Drilling Company, Inc., it was announced.

Mr. Winston is an officer and director of Rowles, Winston & Co., Houston investment banking firm, and a director of the Freeport Sulphur Co., New York City. From 1933 to 1942 he was Vice-President and Treasurer and also director of Navarro Oil Company, and during World War II he served as a major in the Army Air Corps Training command.

He is Chairman of the Board of Directors of St. Johns School, a director of the Harris County Chapter of the American Red Cross, and a member of the Executive Committee of the Houston Symphony Society.

Form N. E. Secs. Corp.

BROOKLYN, N. Y.—The New England Securities Corporation is engaging in an investment business from offices at 189 Montague Street.

L. D. Rothenberger Opens

BROOKLYN, N. Y.—L. Donald Rothenberger is conducting a securities business from offices at 879 Bergen Street.

Continued from first page

'As We See It

an effort to stem any threatening recession of serious proportions.

The question as to whether some such threat may not now be in the offing has been raised on a number of recent occasions, at times by individuals and others from whom some of the suggestions made are not ordinarily expected. For the moment, attention appears to be centered largely upon Federal Reserve policy and the tighter money market resulting largely (although probably not wholly) therefrom. The Treasury has, of late been obliged to pay more than it had been paying for such funds as it is obliged to get from the investors of the country either to cover deficits or to fund (or roll over) any part of its enormous short-term indebtedness.

The Treasury itself, to give praise where praise is deserved, does not appear to be unduly disturbed, and has repeatedly expressed its willingness to pay what the market exacts in normal course, although it has been, so it sometimes appears to us, excessively timid about offering long-term obligations to replace parts of the mass of its floating debt. Some other elements in the community have, however, been viewing the situation with less equanimity. Prices have, as is well known, been inclined toward softness in some areas, and there is considerable uneasiness in certain quarters about what may occur when and if defense pressure eases or even if and when it ceases to rise further. There are those who express the view that what they term "deflation" is the threat of the day, and that the Federal Reserve authorities should now alter a course set when "inflation" seemed to impend.

Overlooked Facts

It seems to us that those who argue in this way have overlooked some highly important facts. In the first place, there is today not a single rate in the money market which would not have been universally regarded as extremely low at any time prior to the advent of the New Deal and the flood of "modernism" which Lord Keynes himself lived to say had "turned sour and silly." The interest cost of capital as measured by any of these rates is still almost absurdly low. Any enterprise or venture which can not carry such costs as this ought not to be in the market for borrowed funds. If it is the hazard involved in definite commitments to carry these costs more or less indefinitely in the future which is the source of the trouble, then the venture should be financed with equity capital—and if equity capital is not available for sound undertakings, then the fault is not to be found in interest rates or Federal Reserve policy but in various elements in the New Deal and Fair Deal programs which are all too often still with us.

But if the seeds of depression or serious unemployment have been planted and are now about to sprout, what reason is there to suppose that a return to the highly unorthodox and extremely doubtful Federal Reserve policies developed under the influence of Mr. Roosevelt's New Deal would kill off these noxious weeds or prevent them from taking hold—or if it did so succeed for a time, that it would not in the end merely lead to the same situation much worse compounded within a relatively short period of time. Could we, as John Law and some of the more recent monetary deviationists have supposed, really keep ourselves perpetually prosperous by coining anything or everything at hand into money? Some such notion seems to us to underlie a good deal of the reasoning now making itself heard at times in surprising quarters.

And while this subject is to the fore, it may be a good time to broaden the inquiry a little. Is it true, for example, that various expedients such as deficit spending in its various forms can, either with or without support from the Federal Reserve System, be expected to prevent the development of a business depression? Here, of course, is a question which goes to the heart of much that is being said and often believed by many including some economists with international standing.

It is often said that the vast so-called social security system we have developed within the past decade or two will constitute a strong first line of defense against depression in the future—particularly when the old age pension system gets into full swing. Yet the skeptic may well be excused if he asks how taking money from one consumer or investor and giving it to another will help sustain business. It is commonly said that the funds thus taken from him who hath in such circumstances would be more actively employed in the hands of the needy. Perhaps, but who can say that he who hath will not hold on all the tighter to what he has left—and on to more of it—if such exactions are made upon him.

"Reserves" a Mirage

These much touted "reserves" of the social security systems are, of course, nothing but bookkeeping mirages. When the time comes to pay out benefits under any of these plans the Treasury must of necessity find the funds either from the taxpayers at once or first from lenders and then later from the taxpayers. If the lenders are the taxpayers, then the whole thing comes out at the same place as if the funds were taxed away to begin with. The only other recourse is the fiat creation of the funds required either by printing money or (what is not very different) persuading (or coercing) the banks to write up deposits on their books in favor of the Treasury.

In short, the social security system as a defense against depression is but a variant of the deficit spending notion—which can scarcely be expected to provide much of a fillip unless accompanied by the sort of Federal Reserve policy now being advocated by a number of observers who ought to know better. What is being advocated is that Treasury deficits be coined into money. It won't work—not in a way to help any of us.

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Free World's First Line of Defense

—and unfairly, I think—by proponents of absolute free trade as ones we can conveniently do without—the briar pipe industry, felt hats, fountain pens, clothespins, lichee nuts, narcissus bulbs and certain kinds of cheese. I speak rather of those vital defense industries that seem always to be forgotten in this debate, but which certainly would be deeply and adversely affected by a surge of imports—indeed, have already been so affected. I have in mind such industries as machine tools, optics, heavy electrical power equipment, precision instruments, and others whose circumstances may be similar but with which I am not familiar.

These are not "a few inefficient organizations." They are not "a tiny segment of the economy." They are not even "special interests," for they make up a substantial part of the nation's arduously created capital industry. These companies are not owned by a few rich men who personally stand to make millions by unreasonably high tariffs. They are owned by hundreds of thousands of stockholders and serviced by millions of employees, all of whom have a direct stake in the continued profitable operation of those companies.

But are the fears real? Are imports likely to enter in sufficient volume to dislocate American production and throw men out of work? With you permission, and because I know it best, let me cite as an example an important segment of the electrical manufacturing industry. With variation in degree and detail, it can represent the other industries I have mentioned.

This much in preliminary: To all that I say, apply whatever discount you see fit to my self-interest in this situation. I admit such interest, but I am trying to speak in the national interest as well. I shall do my best to be a truthful and honest witness to the facts.

The Case of Electrical Manufacturing

Now, the electrical manufacturing industry has needed no preferential treatment and has asked none on the vast majority of its products. Wherever goods can be produced at a rapid rate on an assembly line, wherever mass production and mass distribution of consumer goods are concerned, the industry has demonstrated it can offset the low foreign wage rates. In radios and lamps, ranges and refrigerators, motors and washing machines, we have successfully met foreign competition in design, price and quality.

But not all products of this industry are subject to such mass production techniques. Heavy electrical power equipment is produced painstakingly in terms of a dozen units a year instead of millions. This comprises water wheel generators, turbine generators, power transformers, circuit breakers, rectifiers, and accessory equipment. These pieces are all tailor-made. They require thousands of hours of highly-skilled labor—labor that is paid an average of over $2 an hour and that represents as much as 50% or more of the total production cost. Extensive and continuing basic research and development engineering are involved. This country can build these units supremely well because the industry has made large investments in plants, equipment and employee training. It is necessary to realize that the industry is geared to produce the nation's present peak requirements, and that, rather than being overloaded with business, as some have said, it may be short of orders before the production aisles are cleared of work now in progress.

At least nine European countries are now competing for the limited volume of American purchases of heavy power equipment. Some of them are nationalized companies and some are nationally subsidized. These companies pay their workers wages that in some cases are only one-fifth and in just one case are as high as 40% of the comparable American wage. The American manufacturer of such heavy equipment simply cannot compete, solely on a dollar basis, with foreign companies. Such competition will be impossible until those other countries catch the American vision of a high standard of living for their workers, made possible by high wage rates and maximum mechanization.

I know of 16 heavy power equipment projects on which both United States and foreign manufacturers entered bids in 1952. Foreign firms were awarded six of these. In dollar volume, their awards represent 42% of the total amount of money involved. This may sound like a relatively small part of the total electrical equipment business of the United States, but it is concentrated in one segment of the industry that is vital to the national defense. Two projects that are now pending represent 10% of this country's total annual manufacturing capacity for water wheel generators. The loss of these orders could mean more than a month's shutdown of all United States facilities in this field.

Some authorities are disposed to fortify the foreign price advantage with two other considerations favorable to the foreign bidder. They feel they are following the national policy of helping a friend in need; and they contend that the import duty is the same as extra income to our government. They ignore, of course, the adverse effects of such a policy on a vital industry; and they forget the considerably larger sum of money paid to the government as taxes by the U. S. manufacturer, by his suppliers, and by his employees, on their income.

The "Compensation" Proposal

Some proponents of "universalist" free trade do recognize the harm that their policies will bring to certain domestic industries, and their ready answer is "compensation." The Mutual Security Agency plan called for import duties to be placed in a fund for payment to injured companies, and for those companies to be given ten years in which to convert to other products or shut down. A recognized authority on the tariff question says: "The transition from our present tariff to a very low one should become a process of subsidized liquidation, thereby softening the blow for investors, employees and workers." Conceivably, that may be agreeable to the owners of the lichee nut and narcissus bulb industries; but do we want *liquidation* of our machine tool and heavy power industries? Do we want them to convert to other products?

Until now, no one, beginning with Adam Smith, the very father of free trade, has ever discussed trade policy without recognizing the requirement to preserve certain domestic industries for reasons of national security. But in almost all the speeches, articles and editorials produced during the present debate, this consideration has been forgotten or ignored.

Electric power production, of course, is vital to our national security. To implement it with foreign-made equipment, with which we have had limited experience, weakens our defense. In the event of war, the sources of such equipment could be walled off from us completely, leaving us nowhere to turn to for repairs, replacement parts, special tools, or engineering or maintenance services. One of the foreign firms awarded business in this country lies within 75 miles of the Iron Curtain. The foreign manufacturers, unlike the American companies, do not have equipment or engineering crews available in this country for such emergency work. It is even questionable whether, in critical times, some foreign groups should be free to come and go in the plants which are the key to our national existence.

Moreover, it is just not possible to maintain any industry vital to national defense with direct Federal subsidy, no matter how generous or well-meant it is. You cannot keep an industry alive on such a basis, ready to produce critical goods quickly in an emergency. How can you keep highly paid and highly skilled employees with you? They will not shove to assembly lines, for they do not shove easily. Are they to sit around on a kind of Federal relief, forgetting all they know, learning nothing new, and training no one else, while they wait for another war? Or are they to produce machines which will have no market and will be scrapped?

These are creative men much in demand in other industries, and you will not keep them at all with any such formula.

A live and healthy power equipment industry, with both its companies and their workers consistently and profitably employed, is necessary to the national security. A foreign policy that does not recognize the long-range impact of the widespread purchase of foreign-made equipment on this industry, and the resultant weakening of our national defense, is not consistent with the national interest.

This is just as true as to other American industries that are equally vital to American defense and are equally unable to survive foreign price competition. I cannot speak out of intimate knowledge of those industries, as I have presumed — without consultation with anyone outside my own company—to speak for the electrical manufacturing industry. But I know that, by the very nature of the American economy, those industries are neither inefficient nor uncompetitive. They turn out their products at reasonable prices. To buy imports in their fields simply to help nations because they deserve help, instead of on the basis of true international division of labor, is to give those nations a disguised subsidy at the same time that we harm ourselves at home.

I should like to remind those friendly nations of the statement by one of their own great leaders: "A successful export trade cannot be founded upon a starved home market." I should like to remind this distinguished audience of the so-called Political Law of Reverse Effect. Under that law, the nobler the ends, the easier it is to be careless about the means, which then bring results quite different from those intended.

We will do the nations of the free world no good if through excessive imports we force skilled people out of work and defense industries out of business. That could jeopardize our security and might cause economic disturbances here that would damage the economies of the rest of the world. It could produce a revulsive demand here for tariffs far higher than any we now have. It could bring a demand that we devalue our dollar in order to regain our favorable position in world trade.

A Final Word

One final word. I pray that no one will misunderstand me. I am not a so-called insolationist — I have always considered myself internationally minded. I am not in favor of high tariffs—I am for just as low tariffs as will still permit us to maintain the economic welfare on which the national and, indeed, the international security must depend. But I am for low tariffs on a selective basis, not a whole-hog, universalist, across-the-board basis. I repeat—a selective basis.

We will do friendly nations nothing but harm if we weaken our defenses by allowing good will to take the place of good sense, good economics, and good military strategy. The economic health and stability of this nation are the first line of defense of all free nations. We must not break down these defenses. In a dark hour of British need, Winston Churchill put the problem to us pointedly when he said: "The greatest contribution the United States can make toward world peace is the maintenance and growth of its own prosperity."

With Military Inv.

(Special to THE FINANCIAL CHRONICLE)

FT. GAINES, Ga. — Stanley B. Bailey, Roy C. Gordon and Royce W. Nall, Sr. are now connected with Military Investment Service, 111 Bluff Street.

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The State of Trade and Industry

49% more than the 1,631,400 in the like year ago period, the agency notes.

But "Ward's" expects a "sharp slash" in production this week because of the continued labor dispute at Borg-Warner Corp., important auto parts supplier. This has already "virtually paralyzed" Hudson and Willys output and "will force heavy production cutbacks at Nash by Monday and Ford by Wednesday," according to this agency.

Also, a month-old strike at Ford's Canton, Ohio, forge works "has all but depleted" Ford's stocks of axles, spindles and crankshafts. By the middle of this week, said "Ward's," layoffs are expected to hit most of the 137,000 Ford assembly plant workers as a result.

General Motors Corp.'s plans to step up output of transmissions "might be blocked" if effects of a minor walkout Thursday of 250 workers at its Detroit transmission works spread, it asserts.

Steel Output Scheduled at Fractionally Lower Level This Week

Although most consumers have enough steel to sustain their desired levels of production, says "Steel," the weekly magazine of metalworking, they are not inclined to slow down their pace of buying of the major forms of finished steel.

This attitude on the part of the buyers is prompted by at least three incentives, according to this trade journal: (1) Expectations, or at least hope, of continued good business; (2) protection against a remote possibility of a steel strike; and (3) belief that base prices of steel will go up after completion of wage negotiations in the steel industry.

As a result, steel producers quickly fill their order books for as far ahead as they are willing to open them. Full operations for the third quarter appear assured, and there is increasing belief the fourth quarter will be as good, although you can find people who think the latter will taper off a bit, it adds.

Puzzling the forecasters is the automobile industry. Will its business hold up? It's the biggest consumer of steel, so its effect on demand is mighty. The auto industry is still projecting hefty production schedules, continues this trade weekly.

In the home appliance industry, however, production has outstripped demand, and some producers are reducing output. Nevertheless, that industry is still reluctant to cut back on steel purchases, it points out.

Consequently, conversion steel and imports still figure prominently in current buying.

With overall demand for steel so strong, there has been little or no complaint over the rise in steel prices. A few of the increases have been on base prices but most of them have been on extras. In some cases, "the revisions in extras will alter consumers buying patterns," concludes "Steel" magazine.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 100.2% of capacity for the week beginning May 18, 1953, equivalent to 2,259,000 tons of ingots and steel for castings as against 100.3% of capacity or 2,262,000 tons a week ago. For the like week a month ago the rate was 101.0% and production 2,276,000 tons. A year ago when the capacity was smaller actual output was placed at 2,134,000 tons or 102.7% of capacity.

Electric Output Gains in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended May 16, 1953, was estimated at 7,959,054,000 kwh., according to the Edison Electric Institute.

The current total was 62,515,000 kwh. above that of the preceding week when output totaled 7,896,539,000 kwh. It was 848,661,000 kwh., or 11.9% above the total output for the week ended May 17, 1952, and 6,559,218,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Drop 2.1% Below Previous Week

Loadings of revenue freight for the week ended May 9, 1953, totaled 765,411 cars, according to the Association of American Railroads, representing a decrease of 16,088 cars, or 2.1% below the preceding week.

The week's total represented an increase of 45,552 cars, or 6.3% above the corresponding week a year ago, when loadings were affected by the labor situation in the steel industry, but a decrease of 42,716 cars, or 5.3% below the corresponding week in 1951.

U. S. Auto Output Holds at High Level in Latest Week

Passenger car production in the United States last week remained high and for the year to date held about 49% higher than the like 1952 week, according to "Ward's Automotive Reports."

It aggregated 142,566 cars compared with 140,405 cars (revised) in the previous week, and 94,579 cars turned out in the like 1952 week.

Total output for the past week was made up of 142,566 cars and 23,983 trucks built in the United States, against 140,405 cars and 27,227 trucks the previous week and 94,579 cars and 25,360 trucks in the comparable 1952 week.

Canadian companies made 8,505 cars last week, compared with 8,670 in the prior week and 6,941 in the like week last year. Their truck production for the week amounted to 3,405 compared with 3,319 in the preceding week and 3,065 in the similar week a year ago.

Business Failures Show Marked Rise

Commercial and industrial failures rose to 198 in the week ended May 14 from 165 in the preceding week, according to Dun & Bradstreet, Inc. This sharp increase lifted casualties to the highest level in three months. While they exceeded the 154 and 171 failures occurring in the comparable weeks of 1952 and 1951, they remained 31% below the prewar total of 289 in 1939.

Wholesale Food Price Index Shows First Decline in Six Weeks

Marking the first downward movement in six weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $6.42 on May 12, from the year's high of $6.43 the week before. The current index compares with $6.38 on the corresponding date last year, or a rise of 0.6%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Reflects Irregularly Lower Trend

Irregular movements left the general commodity price average slightly lower last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 278.24 on May 12. This compared with 279.19 a week earlier, and with 297.08 on the corresponding date last year.

Grain markets continued unsettled the past week. Under rather heavy liquidation, prices generally worked lower with many futures contracts hitting new low levels for the crop year.

Weakness in the bread cereal reflected plentiful supplies and favorable prospects for the new crop. The Department of Agriculture in its May 1 crop report, estimated the Winter wheat crop at 729,884,000 bushels, an increase of about 16,000,000 bushels above the forecast a month earlier. The export wheat market continued dull. Corn resisted the downward pressure, aided by a good demand for the cash grain and a scarcity of offerings. CCC sales of corn continued in substantial volume. Oats and rye closed lower for the week, but received some support from reports that the Department of Agriculture is working on plans to limit imports of these grains. Volume of sales of all grain and soybean futures on the Chicago Board of Trade declined moderately and totaled 40,300,000 bushels for the week, compared with 49,400,000 the previous week, and 45,000,000 last year.

New business in the domestic flour market remained disappointingly small with buyers showing little disposition to anticipate requirements beyond next few months. Trading in the cocoa market was inactive and prices turned downward, largely reflecting the absence of manufacturer interest in the actual market. Warehouse stocks of cocoa increased sharply and totaled 119,059 bags, as compared with 66,557 bags a week ago, and 102,732 a year ago. Coffee registered further moderate declines in quiet trading. The Santos 4s grade closed at 55¼ cents a pound, off 1 cent from a week earlier. The refined sugar market developed a firmer tone as the result of recent warm weather in eastern areas. The domestic raw sugar market was generally steady in moderate trading. Lard moved lower in sympathy with vegetable oils and grains Live hog values advanced on smaller receipts, with top prices reaching the highest level since August, 1950.

Spot cotton prices trended mildly lower this week in narrow day-to-day fluctuations. Activity in the ten spot markets was much slower with sales volume dropping to 55,100 bales for the week, from 99,700 bales a week previous.

The easiness was largely influenced by developments in the Korean truce negotiations and signs of a let-up in demand for cotton textiles.

Entries of cotton into the Government loan during the week ended May 1 increased sharply to 63,300 bales, the highest since the week of Feb. 6. Loans outstanding as of May 1 were reported at 2,024,500 bales, against 396,200 bales at this time a year ago.

Trade Volume Higher Encouraged by Mild Weather And Special Promotions

Shoppers increased their spending moderately in most parts of the nation in the period ended on Wednesday of last week as mild temperatures and special promotions spurred their interest. As during the past several months, most retail merchants were able to surpass the sales figures of a year earlier.

Consumers continued to spend a larger portion of their incomes on durable goods than they did a year ago.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% higher than the level of a year ago. Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and East +1 to +5; Midwest and Northwest +2 to +6; South and Pacific Coast +3 to +7 and Southwest +4 to +8.

The interest in household goods held close to the prior week's level and remained perceptibly above the level of a year ago.

Gaining in popularity were air-conditioners, clock-radios, small appliances, and paint while television sets and upholstered furniture were declining.

Trading activity in many of the nation's wholesale markets quickened slightly in the period ended on Wednesday of last week. The total dollar volume of wholesale orders remained slightly larger than the level of a year earlier; the most pronounced year-to-year rises continued to be in the purchasing of consumer durable goods. Buyers were less apprehensive about sudden shifts due to international developments than they were several weeks before.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended May 9, 1953, advanced 9% above the level of the preceding week. In the previous week an increase of 3% was reported from that of the similar week of 1952. For the four weeks ended May 9, 1953, an increase of 5% was reported. For the period Jan. 1 to May 9, 1953, department stores sales registered an increase of 5% above 1952.

Retail trade in New York the past week presented a somewhat brighter picture and coupled with more favorable weather, volume for the period was estimated at 5% above the similar week one year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 9, 1953, registered a rise of 4% from the like period of last year. In the preceding week an increase of 3% (revised) was reported from that of the similar week of 1952, while for the four weeks ended May 9, 1953, a decrease of 3% was recorded. For the period Jan. 1 to May 9, 1953, volume declined 1% under that of 1952.

Mutual Funds

By ROBERT R. RICH

SIGNS OF A growing belief that the threat of inflation has pretty well evaporated are discussed in the current "Perspective," Calvin Bullock's economic report. It sees this change in opinion brought about by a number of developments, chiefly the two-year gradual decline in commodity prices.

"The final denouement of direct price controls in March," the analysis states, "has been followed by relatively few price rises at either wholesale or retail.

"Diamonds, in addition to their reputation as 'a girl's best friend,' have for generations had a substantial investment following, particularly during periods of inflation. The diamond market seems to have been saying for some months that inflation is a punctured balloon. Four carat diamonds have been selling at $1,650 to $1,750 per carat as compared with a high of $1,900 in March 1951, and have been quoted as low as $1,500.

"Whether the next move in commodity prices is up or down, business managers generally appear encouraged by the new Administration's determination to have done with economic tinkering and to make a start on the road back to free prices.

"As said recently by the Chairman of the Federal Reserve System, 'The market place—the price mechanism — are basic essentials of the American economy and of the economy of the Western World. . . . The process of returning to acceptance and use of the market place is slow, painful, and hard. It is not achieved because people necessarily like it; it is achieved because alternative ways don't work—and that has been found in most of Western Europe since the war.'"

The report finds that the sensitive index of 22 commodities has declined from 135.0 in February, 1951, to 87.9 on May 4, 1953, or roughly 35%, (1947-49 equals 100), and all commodities are down about 4½%.

"Retail prices have thus far, at least, been little affected by price decontrol. The only important exceptions have been cigarettes, coffee, and in some sections gasoline and fuel oil."

Noting that prices received by farmers have declined for eight successive months, while prices paid by farmers are off only slightly, the publication comments that the difficulties of artificial price maintenance for agriculture have again been brought into sharp focus.

"The mounting stocks of farm products acquired by the government in its effort to support agricultural prices illustrate the difficulties inherent in attempts to tinker with the price mechanism. They also illustrate the problem involved in the new Administration's expressed goal of a return to free prices. Although the imposition of artificial price ceilings has now been removed, the ultimate elimination of price floors is something else again. The habits of two decades are not easily broken."

NET ASSETS of Affiliated Fund, Inc. had risen to $241,974,279 as of April 30, 1953, end of the first half of the company's fiscal year, as compared with $223,470,374 last Oct. 31, and there were 116,532 shareholders as compared with 110,486 six months earlier.

Net asset value per share increased during the period to $4.90 per share from $4.74 six months ago.

H. I. Prankard, 2nd, President, noted that in the first quarter of the current fiscal year the common stocks of five companies had been added to the portfolio. These were: American Chicle Co.; H. L. Green Co.; Pacific Gas & Electric Co.; Swift & Co.; United Gas Corp.

He also pointed out that in the second half of the period holdings in the following companies were eliminated: Allis Chalmers Manufacturing Co.; American Can Co.; Chicago, Rock Island & Pacific Railroad; Masonite Corp.; South Caroline Electric & Gas Co.

Commenting on the current business situation, Mr. Prankard stated that the supply of and demand for goods continue to be in better balance than they have been at any time since the end of World War II. Mr. Prankard expressed his belief that the securities held by the company will fare well under such conditions. The five largest stock groups owned on April 30, 1953 were: Electric Light and Power, 22.33%; Natural Gas, 9.93%; Banking, 8.58%; Store, 8.34%; and Tobacco, 7.89%.

OUR BOSTON agent, Ed Hale, reports in Vance, Sander's "Brevits" that since 1942 the book values of 30 stocks comprising the Dow-Jones Industrials have almost doubled, and the net worth "behind" the average industrial stock is now at the highest level in history. "It will be noted that during many of the past ten years," Brevits reports, "there has been almost as much plowed back into the business as has been paid out in dividends which, of course, has had a tendency to accelerate the growth of earning assets. In other words, even though common stocks have paid out in dividends a somewhat higher rate of return than have most other securities during recent years, they were at the same time building up their potential worth in terms of future earnings assets."

For all industries, retained earnings were shown to have increased from a rate of $2.8 billion in 1940 to $13.6 billion in 1950. One thing immediately striking about the analysis, which goes back to 1929 for comparative figures, is that the amount plowed back into business by corporations during previous periods of high level business activity becomes almost insignificant when compared with recent years. In 1929, for example, less money was retained by business than in any one of the last ten years.

IN CHEMICAL Fund's sales over the last two years, institutional accounts have been growing 20% faster than individual accounts. Analyzing the change in both types of accounts from 1951 to 1953, Chemical Fund found that the number of institutional accounts had increased by 48%, while individual accounts increased by 40%. Total institutional holdings amounted to over $6 million, with $2 million held by fiduciaries alone. Following in order of size, by type, were business corporations, charitable and fraternal organizations, schools and colleges, savings banks, religious organizations, hospitals and sanitariums, pension funds and profit sharing plans, and insurance companies.

The ten largest institutional accounts ranged from a savings bank, with $296,000 in Chemical Fund's shares, to a pension fund with $49,000. Between the two were a university of $190,000, a business corporation with $172,000, a religious organization with $65,000, a charitable organization with $58,000 and a holding company with $50,000, among others.

The analysis, "Who are the owners of Chemical Fund?" was made by the Fund's custodian, the Bankers Trust Company. Total net asset value of Chemical Fund is currently $52.3 million.

"HOW IMPORTANT IS income to you?" is the question asked by Hugh W. Long and Company in a recently issued booklet on Diversified Investment Fund, a mutual fund managed for income. Citing the income record of the Fund since the first year of operation—1945—the brochure gives results of a $10,000 investment with income dividends spent and of the same investment with distributions used to purchase additional shares of the fund.

About one-third of the Fund's assets, the booklet points out, are invested in income-paying bonds and preferred stocks and another third in common stocks that have paid continuous dividends from 15 to 49 consecutive years.

TOTAL ASSETS of the four funds in the United Funds group, currently slightly in excess of 100 million dollars, are expected to top 200 million dollars within the next two and a half years, and may hit the billion-dollar mark within eight years.

This prediction was made by Camerson K. Reed, President of United Funds, Inc., at the annual stockholders' meeting in Kansas City.

The four investment trusts have in excess of 40,000 shareholders, with the average amount of each holding being about $2,500. Reed said the company's growth continues to exceed $2 million in sales each month.

Pointing to the fast growth of the company, Reed said that at the annual meeting five years ago he reported total assets of $16 million.

JOHNSTON MUTUAL Fund Inc. reports net assets of $2,183,776.94 as of March 31, 1953, equivalent to $30.78 per share. This compares with net assets of $1,544,642.34 and $31.29 per share on March 31, 1952.

THE STATEMENTS of the Equity Corporation for the three months ended March 31, 1953 show net assets at that date equivalent to $183.42 per share of $2 convertible preferred stock (preference in liquidation $50 per share and accumulated dividends), and $3.66 per share of class A and common stocks. Figures for Dec. 31, 1952 were $182.41 per $2 convertible preferred share and $3.62 per share of class A and common stocks. The class A stock was called for redemption May 15, 1953 at $5 per share.

THE NET asset value of the common stock of The Colonial Fund, Inc. was $21.58 per share at April 30 as compared with $21.67 per share at Oct. 31, the end of the company's fiscal year. Total net assets of the company amounted to $13,400,000.

THE BOARD of directors of Hudson Fund declared a stock distribution to shareholders in an amount equal to the number of Hudson Fund shares outstanding. The distribution is to be made May 18, 1953, to stockholders of record May 15, 1953.

The board's action has the effect of a two-for-one split-up of the stock.

Investors Diversified Acquires Own Home Office Building

The most important office construction in the Minneapolis loop in many years was assured yesterday when Robert W. Purcell, President of Investors Diversified Services, Inc., and Morris T. Baker, President of Baker Properties, Inc. announced that I.D.S. will occupy the top four floors of a five story addition to the present Baker Arcade Building, on which construction is already under way.

The new structure, which upon occupancy about mid-1954 will be known as the "Investors Building," will add a greater amount of office space to the loop than is contained in either the Foshay or Rand Towers. The portions to be occupied by I.D.S. alone will have an area of 118,000 net rental square feet, an increase of 30% over the space in four buildings now occupied by "Investors." In addition, provision has been made for the addition of two more stories with 58,000 net rental square feet when needed in the future.

At the same time it was announced by the two officials that, under the terms of the agreement, Investors Diversified Services is given the right to acquire a 49% interest in the Baker Block, consisting of the present Baker Arcade Building with additions, the Baker Building, the Baker Garage and certain miscellaneous property connected therewith, and 21% of the stock of the Roanoke Building Corporation. The latter company controls the structure which rounds out the block bounded by Seventh Street on the North, Marquette Avenue on the West, Eighth Street on the South and Second Avenue on the East.

The four floors to be occupied by the large investment company will be designed in the most modern manner to assure maximum efficiency of operation. The latest developments in lighting and air conditioning will be incorporated, as well as expanded additional room for a small auditorium, a larger cafeteria and larger lounges for employee comfort. Either elevators or escalators will be installed inside the four-floor unit to assure speed of transportation and communication among personnel.

Serving the "Investors Building" from a newly designed and completely rebuilt lobby will be a new set of "electronic" elevators of the latest design, affording high-speed access to all stories.

In announcing the new building, Mr. Purcell stated that definite plans for the larger space, with provision for additional room in the future, had been made necessary by the growth of the company, which now manages $1,200,000,000 in assets and is, with its subsidiaries and affiliates, the largest integrated operation of its type in the country. Founded in 1894, I.D.S., known until four years ago as "Investors Syndicate," has made its headquarters in Minneapolis throughout its 59-year history, and now employs about 1,000 persons in the city.

Most of the company's growth has taken place in recent years; when Earl E. Crabb, present Chairman of the Board, first became associated with the company some 27 years ago, assets were $12,000,000, or just 1% of those managed today.

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Nuclear Electric Power —Why and How?

of several nuclear power plants operating in widely separated areas might be given some credit in terms of standby production capacity for weapons plutonium. More important, assuming the ultimate economic self-sufficiency of these power reactors, excess plutonium produced could become available at a price representing its fuel value. In such an event it might prove feasible to convert a larger fraction of the Navy to nuclear propulsion. The same concept would also apply to the use of nuclear fuel in supplying the energy needs of remote military bases.

A further benefit of considerable importance from the point of view of future military capability would be the development of broad competence within industry in the field of atomic energy which would greatly bolster our national strength in the event of a future emergency. This future source of strength would appear to offset any minor ill effects on our military atomic program that might result from transfer of a small part our nuclear engineering talent to civilian power development. A vigorous peacetime power effort would also be expected to turn up technical information of value to the immediate military reactor program.

Nobody can foretell what the future holds in store but there is always hope sanity will prevail in international affairs and a future world conflict be avoided. Against this hopeful eventuality, or next best, looking to the day when our military nuclear stockpile attains its desired size, it would appear prudent to develop useful outlets for the nuclear fuel then available or that which could be produced with our expanded plant capacity. It would seem wise to spend a very small percentage of our present plant investment on nuclear power research and development aimed at extending the usefulness of the fissionable material plants and other Commission facilities.

It is but a truism that one plans today for the morrow. If we are to strive for maximum potential benefits from our military atomic developments, these plans ought also to provide for a calculated course of action in a world unmarred by threats of war.

Yet another argument favoring a developmental power program now is the possibility that a nuclear power industry might serve as an economic stimulus. The entrance of a new industry having dynamic growth tendencies at a time when military effort in the field is beginning to taper off could exert beneficial effects. It is difficult to assess the scope of such effects, but it suffices to state that the nuclear power industry of the future will embrace many different industrial interests.

From the AEC viewpoint another factor justifiying an early attack on nuclear power is the Atomic Energy Act itself. In Section 3, the Commission is directed to exercise its power in such manner as to insure the continued conduct of research and development activities into industrial applications of atomic energy. This would appear to merit the Commission's taking a position in support of the development of nuclear power should the expected rewards seem commensurate with the effort required.

A Contribution to Our Productive Power

The possible future contribution of nuclear power to our productive capacity as a nation deserves mention. This may seem unimportant in view of the belief that our fossil fuel reserves will easily supply domestic power needs for several decades. However, should electric power demand continue to double each future decade as it has since 1900, our mining and transportation industries might find it difficult to keep pace, in supplying all the conventional fuels needed. In that event nuclear power plants would be welcomed as a means for supplementing conventional expansion.

Without doubt, there seems to be a growing interest and willingness on the part of private industry and other non-government groups to participate in the development of atomic power. If we truly believe in the legendary skill and ability of competitive American industry to cut corners and costs while simultaneously turning out superior products, this expression of interest in pursuing economic nuclear power provides an opportunity that should be highly encouraged.

So goes the reasoning that can be mustered in support of atomic power. If you stand convinced as I do that this game is worth the candle, we must then face up to an ever more difficult question, namely, "How do we gain this end?"

How Nuclear Power?

In one sense it is academic for us to explore this knotty question, for neither the Atomic Energy Commission nor the American Public Power Association, nor any one of a dozen other interested groups has the power to decide this issue—the final decision rests in the hands of Congress. But inasmuch as Congress is but a reflection of the will of the people, in the best democratic tradition it behooves all of us, individually and collectively, to think on this matter and speak out, so that when the various shades of opinion and belief have been factored into the equation, a reasonable and intelligent solution will emerge which will ultimately spread the fruits of this tremendous force as widely and as fully as possible. It seems to me that "How nuclear power?" admits of three possible solutions.

Before I list these possibilities I would like to make one thing clear. I am talking about the pattern to be followed during a development period which is expected to last some ten years—I am not attempting to speculate on the permanent ground rules which have to be determined once atomic power can make its own way unaided in the hard, cold business world. Nobody is likely to make a nickel out of central station nuclear power during this interim period. In fact quite the contrary promises to be true.

As a first possibility, during the development period, the Congress might decide that the atom ought to remain a government monopoly and the peacetime applications of the atom should be explored and controlled in fashion similar to their military counterparts. Admittedly, atomic energy poses many unique problems not encountered in the ordinary forces and phenomena we deal with, and that all things considered, our military atomic development has gone forward in better than satisfactory fashion, under government control with private industry operating the program in a contractual capacity. The second possibility would represent a partnership arrangement between government and non-government groups, with each playing a substantial role in the search for nuclear power, and each helping to underwrite the cost according to his capacity. This would require a moderate relaxation of the Atomic Energy Act but with suitable safeguards attached to protect the public interest and investment. Under this solution the AEC would occupy a responsibility similar to that of a combined CAA and NACA. The former function would emphasize regulatory activities; the latter would support major projects in the national nuclear laboratories which no private group could justify on economic and facility grounds.

A final resolution to the problem might be for Congress to define the Commission's role in public power development solely as a CAA type of activity; to decide that under suitable safety and security regulations the nucleus is little different from molecules and electrons and thus atomic power should be developed by any American or group of Americans having the money to do the job and the nerve to risk it. According to this possible solution the government would offer not one penny of additional financial help but would invite industry to develop nuclear power under the same ground rules that apply to automobiles, or golf balls or television sets.

Each of these three solutions has certain attributes to recommend it. And each likewise exhibits certain drawbacks. Like most things in this world, there is no ideal solution. One can't expect to have his cake and eat it too. We can only seek to maximize the good features and minimize those which work to the disadvantage of the greatest number.

The Joint Committee of Congress on Atomic Energy is preparing to hold hearings on this broad question. The Atomic Energy Commission has promised to make public its recommendations at that time. Thus it is impossible for me to talk about the Commission's position this morning. What I would like to do is point out as objectively as possible what I feel to be the favorable as well as the unfavorable features associated with each of the three possible approaches.

In support of the first possibility, that of continued government monopoly, one can argue that it will best protect the $10 billion investment which American taxpayers have already invested in atomic energy. It would also represent the path of least resistance because it would call for no change in the present Atomic Energy Act—the pattern is already set. Further it would prevent the remote possibility of any private concern gaining a monopolistic foothold in this field, something the present Act specifically forbids.

But on the other hand, it also has many strikes against it. It will take a lot of public money and this at a time when every effort is being made to balance the budget. Progress would probably be less rapid because, competition would be virtually nonexistent and thus there might be less incentive to attain economic results. Furthermore government activities are by their very nature conservative since the check and balance system under which we operate seldom rewards boldness and never excuses failure.

Another argument against government monopoly is the fact that even if it were announced economic nuclear power was a reality, many people would question the statement. The government pays no taxes. It can borrow money at lower interest rates than private investors. It already owns large amounts of fissionable material which it could transfer by a slip of paper to fuel a nuclear power plant. A majority of people would be more convinced of the commercial reality of nuclear power should there be a clamor from non-government groups for licenses to construct such plants on a self-financed basis.

On behalf of the second solution, calling for a partnership between government and non-government groups, one can say that it would help shift some of the economic burden from government shoulders to that of private industry. In addition private money should bring the renowned cost-cutting know-how of industry to bear on a problem which is largely economic in nature. Most important, this approach should encourage competition among various groups and in this way call for the best efforts of each in an attempt to surpass its competitor. A ball game is always more exciting than batting practice. At the same time, the partnership arrangement would make available the unique facilities present in the National Laboratories for research and development activities by the various groups participating in the program.

Against this solution, one can point out that those companies who are deepest into the military phase of the atomic energy program today would be in best position to exploit atomic power. As a result those today holding a preferential position might tend to enlarge that position in the years to come.

An additional point against this solution is that any expenditures made in this field from government funds might be viewed as representing subsidies for a few groups who are sufficiently familiar with the field to take advantage of it. In this sense it would put at a disadvantage other equally interested groups who because of their lack of previous experience in the atomic field are not in position to participate. I would warn, however, that we should not lose sight of our primary goal. If we insist on marking time until everybody in the U. S. is a nuclear expert, the people may never derive real benefits from this source of power.

The Final Solution

The final solution, under which the government would be simply a regulatory agency, has the great psychological advantage, whether real or not, that the atom is at last to be accepted as a normal part of our way of life and can thus be treated by normal rules. It has been said that we must learn to live with the atom or die by it. Such a decision would indicate that we believe we can do the former.

Another factor on the positive side here is the fact that this solution would eliminate further public funds being spent on peacetime nuclear power. Consequently those who are strongest in favor of balancing the budget at any price will applaud this possibility.

Such a solution would illustrate abiding faith in the inherent strength of our free enterprise system. In reaching this decision we would be determining that we need not treat the peacetime atom as government monopoly in the midst of our sea of free enterprise system, but were willing to let it find its own niche in the scheme of things.

For those who would tab this solution a giant giveaway I have little patience. On the other hand, I question the logic of trying to resolve the nuclear power problem in this fashion—since I doubt there would be any takers.

Since atomic power is almost surely not economic today and shows few signs of becoming so immediately, there would be little incentive on the part of any private or public power group for that matter to put up substantial sums on a "go it alone" basis in pursuit of a goal that lies many millions of dollars and several years into the future. Consequently, if we truly feel the situation is sufficently urgent that atomic power be tackled today as a legitimate national goal for the near future, it is doubtful this last scheme would accomplish that end.

This concludes my analysis of the why and how of nuclear power. I would like to close by impressing on you that decisions on these aspects of the problem will do much to provide information on the big $64 question, "Economic nuclear power—When?"

Southern Natural Gas 4% Bonds Offered

Blyth & Co., Inc. and Kidder, Peabody & Co. head an underwriting group which yesterday (May 20) offered publicly $30,000,000 of Southern Natural Gas Co. first mortgage pipe line sinking fund bonds, 4% series, due 1973, priced at 99 to yield 4.07%.

Commencing in 1955, a sinking fund will be in operation at a call price of 100 and interest; general call prices start at 103 and scale down annually.

Proceeds of the bond issue and the concurrent offering of $34,220,100 debentures to the utility's stockholders will be used to prepay $35,050,000 in short-term notes incurred in the company's expansion program which will require expenditures in excess of $75,000,000 during the next three years. The company expects to add an additional 1,220 miles of pipe lines, ranging from 4½ to 25 inches in diameter, to its present system and to add gas compression facilities of 22,900 horsepower which will increase the system's delivery capacity to 1,010 million cubic feet per day.

Southern Natural Gas operates a natural gas pipe line system from gas fields in Texas, Louisiana and Mississippi to markets in Mississippi, Alabama and Georgia. Most of the gas is sold wholesale to other companies and cities, but some is sold directly to industrial users. Operating revenues went from $17,885,000 in 1948 to $39,425,000 in 1952.

Flock Gas & Oil Corp. Stock at $2 Per Share

Peter Morgan & Co., New York City is underwriting an issue of 800,000 shares of Flock Gas & Oil Corp., Ltd. of Calgary, Alberta. The funds obtained from the underwriting will be used principally to develop gas and oil properties now held by Flock Gas & Oil Corp. and to acquire new petroleum leases. The shares are priced at $2 per share.

Flock currently holds extensive properties in Alberta, and reports by Joseph S. Irwin, consulting geologist, indicate at least 13 possible productive horizons. Test drilling will be initiated shortly — with an approximate depth of 5,500 feet necessary for a test of productive zones.

To Get NYSE Membership

Roland B. Stearns on May 28 will acquire the membership in the New York Stock Exchange held by Leonard A. Goldstone.

E. Boehm Opens Office

Emma Boehm is engaging in a securities business from offices at 545 West 111th Street, N. Y. City.

Israel Secs. Corp. Formed

Israel Securities Corporation has been formed with offices at 17 East 71st Street, New York City, to engage in the securities business.

Continued from page 3

SEC's Revised Regulation 'A' Flouts Congressional Edict

Certainly up to this time, there is nothing in the revision calculated to carry out the Congressional intent to help small business. So far it is hamper, not help.

Let us go further and continue our appraisal.

For the first time, this revised regulation makes mandatory the filing of semi-annual reports showing the progress of the offering until the issue is distributed.

More detail, more time, more money to be spent unnecessarily in connection with the flotation of a small offering of securities, the net proceeds of which were under the previous regulation little enough to the issuer, and which will be much less now that so much cumbersome detail has been added by the instant revision.

Heretofore, the maximum which could be offered under "Regulation A" by an issuer and its affiliates in the aggregate could not exceed $300,000 in any one year.

Under the new Rule 217, the provision now is that the aggregate offering price of all of the securities of the issuer, its predecessors and all of its affiliates which were organized or became an affiliate of the issuer within the past **two years** shall not exceed $300,000.

This provision is particularly dangerous because of the broad and general definition given to the term "affiliate." An affiliate of an issuer is said to be a person controlling, controlled by or under control with such issuer. An individual who controls an issuer is an affiliate of such issuer.

As we envisage it, the net result of all this will be that by a process of broad definition and subtle application, the Securities and Exchange Commission will reduce the number of small business issues by limiting to one issue the area in which several were possible heretofore. This it will do in defining the word "affiliate" and in applying the two-year period where the one-year period was heretofore applicable. Incidently, there is also the danger that such interpretation might constitute a restraint of trade.

The dangerous trend in SEC activity, as it applies to Regulation A, is, of course, that despite the fact that in all prospectuses and offering circulars there must be a legend that the securities are not approved by the Commission, nevertheless the staff does attempt to set itself up as the judge of each particular deal. This it can do actually under the pretended search for fraud.

For example, it can say that properties given in exchange for stock constitute inadequate consideration, etc., etc.

Heretofore, when only a letter of notification was required, the issuer and the underwriter could spare themselves the time and expense incident to complying with a letter of deficiency, for since there was no prospectus requirement, there would ordinarily be no letter of deficiency. Now, however, in this regard, the treatment is no different from that of a full registration.

So daring and far reaching is this revision that it even goes to the extent of prescribing the permissible contents of any written advertisement or other written communication, and this, mind you, with respect to over-the-counter securities, as to the regulation of which the Securities and Exchange Commission is supposed to be without jurisdiction, excepting only in instances of fraud.

The most dangerous, the most alarming of all of the provisions contained in this new revision is Rule 223, which provides, in effect, that at any time after the filing of the letter of notification, the Commission may enter an order temporarily denying the exemption, or if the public offering has already been commenced, it may temporarily suspend the exemption. All this it may do without a trial or a hearing, and if no hearing is requested and none is ordered by the Commission, the temporary restraint shall remain in effect until it is modified or vacated by the Commission.

Here is the fearsome and extraordinary authority for the exercise of arbitrary power, the test for the deprivation of fundamental rights based upon unadjudicated conduct. Here the Commission may punish first and inquire afterwards.

It is this type of autocratic and bureaucratic tyranny which has placed our administrative agencies in such ill repute. So we see that Congress gave us a mandate to help small business, and the Commission has reduced that mandate to a nullity.

What is sorely needed is a new approach to securities regulation. What would be of inestimable service to our economic system is the complete abolition, the erasure of the Securities and Exchange Commission, resulting in the passing from the scene of a group of indoctrinated bureaucrats who have played havoc with our capital markets.

With the atmosphere cleared by the abolition of the SEC, Congress should then address its attention to the passage of definitive legislation intended to prevent a repetition of the abuses of the late twenties, which have not been already cured by those provisions of the Banking Act of 1933 which eliminated investment banking affiliates of most banking institutions, placed restraints on the use of credit in the securities markets and put bank holding companies under the jurisdiction of the Federal Reserve Board where they held stock of member banks which they desired to vote.

The CHRONICLE would appreciate receiving comments on the views expressed in the above editorial, or on any related phases of the subject under discussion. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y. Those who are desirous of having the SEC shackles removed should also write their Senators and Congressmen and send copies of their letters to Senator Prescott Bush of Connecticut (Chairman of the Senate SEC Subcommittee) and to Congressman Charles A. Wolverton of New Jersey (Chairman of the House Interstate and Foreign Commerce Committee that deals with the SEC).

Continued from first page

Eisenhower's Tax Program

honesty and competence of government itself—for no nation is secure whose government does not command respect at home and honor abroad.

Our strength demands, also, healthy two-way trade with our Allies—for this nation could not for long enjoy either freedom or prosperity alone in a hostile world.

And national security requires an industrious and productive America, for here is the vital source of all our military strength.

Must Make America Secure

Those truths make clear, I think, how every act of your government is—and must be—a part of the whole great effort to make Amercia secure in a world in which freedom itself is under mortal fire.

We all know something of the long record of deliberately planned Communist aggression. There has been, to this moment, no reason to believe that Soviet policy has changed its frequently announced hope and purpose — the destruction of freedom everywhere.

There is, therefore, no reason for the free nations to alter their course: to hope and work for the best, to arm and be ready for the worst.

We must see—clearly and steadily—just exactly what is the danger before us.

It is more than merely a military threat.

It has been coldly calculated by the Soviet leaders—for by their military threat, they have hoped to force upon America and the Free World an unbearable security burden leading to economic disaster. They have believed — and, in fact, plainly said—that free people cannot preserve their way of life and at the same time provide enormous military establishments. Communist guns, in this sense, have been aiming at an economic target no less than a military target.

I believe firmly—and I think the Soviets realize — that the United States, if forced to total mobilization today, could meet and win any military challenge.

I believe no less firmly that we must see and meet the full nature of the danger immediately before us. For the nature of this danger dictates the nature of the defense we summon.

This defense must, first of all, be one which we can bear for a long — and indefinite — period of time. It cannot consist of sudden, blind responses to a series of fire-alarm emergencies, summoning us to amass forces and materiel with a speed that is heedless of cost, order and efficiency. It cannot be based solely on the theory that we can point to a D-Day of desperate danger, somewhere in the near future, to which all plans can be geared.

The truth is that our danger cannot be fixed or confined to one specific instant.

An Age of Peril

We live in an age of peril.

We must think and plan and provide so as to live through this age in freedom—in ways that do not undermine our freedom even as we strive to defend it.

To watch vigilantly on the military front must never mean to be blind on the domestic front. In our present world—in this kind of prolonged tension and struggle —a crippled industry or a demoralized working force could be the equivalent of a lost battle. Prolonged inflation could be as destructive of a truly free economy as could a chemical attack against an army in the field, and if, in today's continuing danger, we ever were to strain our capacity until rigid governmental controls, indefinitely or permanently continued, became mandatory—where then would be the freedom we defend?

Our defense — I repeat — must be carefully planned and steadfastly sustained.

Such planning brings us to that bewildering realm of budgets and expenditures and appropriations and deficits and taxes. This, as we all know, is no easy area to explore or to explain. But these rude facts and figures of our national economy are—to our body politic—as vital as pulse-rates or blood-counts.

As you all know, government deficits of past years have been a main cause of the cheapening of our dollar by half its value.

The budget inherited by this Administration, for the year beginning this July 1, called for expenditures of $78.6 billion, and signified another red-ink entry in our national books of $9.9 billion—on top of other big deficits for last year and this year.

Beyond this, when this Administration took office, we faced two stubborn financial facts. The first fact was this: Under the former Administration expenditures for the future were so scheduled as to reach their peak during 1954 and 1955. The second fact was this: These are precisely the years when—under existing laws—Federal revenues from taxes, under scheduled reductions, will fall sharply downward.

If we do nothing about this, the results of these facts could only be: bigger deficits, greater government borrowing, ever-increasing cost of living, depreciated savings, higher and higher cost of the nation's security.

Facts of the Budget

These figures are but a small part of the story. Let me give you a few more facts:

First: the past Administration over-estimated tax collections for the next fiscal year by some $1.2 billion. Even the most conscientious men must be allowed some leeway in forecasting tax receipts more than a year ahead. Nevertheless, it is unfortunately true that this over-estimate of income would bring the red-ink entry for the coming year up to more than $11,000,000,000.

Second: The military budget proposed by the previous Administration for the fiscal year 1954 did not fully plan for one item that could scarcely be called obscure. That item was the Korean War. No specific budgetary provision was made for continuance of this conflict. No provision was made for the building up of Republic of Korea divisions beyond those currently in being. Our task, then, is not only one of dealing with the planned deficit, but also one of providing for the costs of the Korean War so long as it may continue.

Third: Largely aside from the budget and deficit, there will be —as of June 30 of this year— $81,000,000,000 of authorizations to spend money for which cash must be found in the tax revenues of the next several years. Since a large part of this enormous sum is already under contract, mostly for defense purposes, there is little room in which to turn around to make any immediate economies in this area.

This whole matter is rather like buying C. O. D. When you order goods C. O. D., you do not send any money until the items come to your front doors—and then it is cash on deilvery. This Administration faces payment on just such an $81,000,000,000 C. O. D. over the next several years.

The Critical Question

I come now to the critical question: how can we make more bearable, for every family in our land, the burden of this inheritance—and at the same time make our nation's security more sound and sure?

To begin with the military front: there must be—far from any slackening of effort—a speeding, a sharpening, a concentration that will extract the last cent of value from every dollar spent. Our defense establishment has yet to reach the level of performance we want. Until it has, we shall not rest.

I want here to state a few critical facts plainly. They are critical. They are facts. And they should be beyond the reach of any partisan debate.

It is a military fact that there is no such thing as maximum security short of total mobilization of all our national resources. Such security would compel us to imitate the methods of the dictator. It would compel us to put every able-bodied young man in uniform—to regiment the worker, the farmer, the business man—to allocate materials and to control prices and wages—in short, to devote our whole nation to the

grim purposes of the garrison state.

This—I firmly believe—is not the way to defend America.

It is also a fact that when we seek anything less than this vision of military perfection—total mobilization—we are debating in a realm of speculation — sometimes informed, more often misinformed. Words like "essential" and "indispensable" and "absolute minimum" become the common coin of this realm—and they are spent with wild abandon. One military man will argue hotly for a given number of aircraft as the "absolute minimum." Another, even from the same military service, will answer just as passionately that less aircraft of a different kind is "imperative." And others will earnestly advocate the "indispensable" needs for ships or tanks or rockets or guided missles or artillery—all totalled in numbers that are always called "minimum." All such views are argued with vigor and tenacity. But obviously, all cannot be right.

Now it is a fact—and this I mostly deeply believe—that it is foolish and dangerous for any of us to be hypnotized by magic numbers in this type of analysis. There is no given number of ships —no given number of divisions —no given number of air wings in the Air Force, Navy, and Marine Corps—no given number of billions of dollars—that will automatically guarantee security.

I have given to this phase of our national planning careful, personal study and analysis. I have, as you know, lived with it for many years. I have also sought, of course, advice from the most competent people I could find.

Analyzing the Defense Plan

Let me tell you how we approached this analysis. We did not set any fixed sum of money to which our defense plans had to be fitted. We first determined what is truly vital to our security. We next planned ways to eliminate every useless expenditure and duplication. And we finally decided upon the amount of money needed to meet this program.

Such an analysis rejects the extreme arguments of enthusiasts and of all groups of special pleaders both in and out of the military services.

But this I do assure you: what has been so carefully, so painstakingly evolved is a sound program. It contemplates in each of the armed forces calculated risks which have been prudently reasoned. And it represents, in my judgment, what is best for our nation's permanent security.

There is, I believe, only one honest, workable formula. It is not magical, but it is the best that competent men can define. It is this: A defense strong enough both to discourage aggression and beyond this to protect the nation — in the event of any aggression — as it moves swiftly to full mobilization.

The more swiftly and smoothly we can mobilize, the less our dependence upon standing armies, navies and air forces.

The more vigorously we eliminate the non-essential, the more effectively we can concentrate on what is vital.

With all this in mind, we are putting major emphasis on air power, which daily becomes a more important factor in modern war. Our revised budget will provide the Air Force with more than 40% of all defense funds programmed for 1954. As of this June 30, the Air Force will have available a sum totalling more than $40,000,000,000. Buttressing this strength are those additional funds allocated to naval air power for 1954—totaling more than half of the Navy budget. This means that almost 60 cents out of every dollar to be available for national defense in the next year will be devoted to air power and air defense.

The Cost of Air Power

These investments in air power represent and will continue to represent the heaviest single annual outlay of our government. It is my conviction that our developing program—under constant review and study—will result in a steady growth in the size and efficiency of the air defense, until we have attained an adequate level of security.

I repeat: This security cannot arbitrarily be defined as the simple equivalent of a specific number of aircraft or air wings. For example: Today three aircraft with modern weapons can practically duplicate the destructive power of all the 2,700 planes we unleashed in the great break-out attack from the Normandy beachhead. Clearly every technological advance profoundly affects this problem of air power—including the development of missiles now in production. Similar advances in civil defense will help shape the nature and size of our air forces.

The plain truth is this: Security is planned, not blindly bought. It is the product of thought and work and our ability and readiness to bear our military burden for however long the threat to freedom persists.

The course we must set for ourselves is a difficult one. It must avoid, on the one hand, the indefinite continuance of a needlessly high rate of Federal spending in excess of Federal income at a time of heavy taxation. It must avoid, on the other hand, any penny-wise, pound-foolish policy that could, through lack of needed strength, cripple the cause of freedom everywhere.

This middle way may lack drama and sensation. But it has sense and strength — lasting strength.

It may not scream with shrill crisis and emergency. But it speaks with conviction and realism.

Because of the necessary costs of national security, your government is not just preaching economy but practicing it. Every department of this government has cut its requests for funds for the next fiscal year. As a result, we have been able to reduce the previous Administration's request for appropriations of new money by some $8½ billion. This prodigious sum means more than $50 for every man, woman and child in our country. This is the first step in cutting expenditures. Next year we shall spend at least $4.5 billion less than was planned by the former Administration.

Here let me add this word. Government cannot do this job—any more than any other job—utterly alone. You and your fellow-citizens who want your government to spend less must yourselves practice self-restraint in the demands you make upon government. You as citizens cannot help the common cause by merely favoring economy for every group except the one to which you belong.

All that we have done to date is an encouraging start. But it is no more than a start. During every day of the coming year we must and shall continue striving to find, in every department of the government, new ways to achieve economies. I need scarcely remind you that the saving of $4.5 billion is less than half the deficit planned by the previous Administration for the next fiscal year.

It is in the light of these facts that all of us must honestly face the matter of taxes. It must be apparent that to accept a great revenue loss at this time would be to insure longer life to bigger Federal deficits and greater eventual danger to our country.

The convictions of this Administration on these grave subjects are clear and simple.

Present Taxes too High

We believe that—for the long-term—present taxes are too high. We think they are ecoming a real threat to individual initiative. We think they are becoming a real no citizen—once satisfied that his government is operating with honesty and economy, and planning with foresight—wants any tax saving at the price of essential national security.

We believe—finally—that our truly urgent need is to make our nation secure, our economy strong, and our dollar sound.

For every American family today, this matter of the sound dollar is crucial. Without a sound dollar, every American family would face a renewal of inflation, an ever increasing cost of living, the withering away of savings and life insurance policies. An immediate tax reduction which in turn inflated the dollar still more would cheat every family in America. It would strike most cruelly at the poorest among us.

The balancing of the budget of the United States is, therefore, vital—not merely as some abstract, statistical feat to be performed by government accountants—but to help give each citizen the kind of dollar with which each family in the nation can begin balancing its own budget.

With this in mind, I am recommending the following measures to the Congress for tax legislation:

Tax Recommendations

First—The excess-profits tax on corporations as now drawn should be extended for six months beyond its present expiration date of June 30—an extension that will produce a gain of revenue of $800 million.

Second—The 5% reduction in the regular income tax on corporations, now scheduled to go into effect April 1, 1954, should be repealed. The continuation of this additional 5% will bring in approximately $2 billion a year.

Third—The reduction in excise taxes, which would take place next April 1 under present law, should not be put into effect pending the development of a sounder system of excise taxation, for which I shall make specific recommendations to the Congress next January.

Fourth—There is now scheduled an increase in the old-age security tax from 1½% to 2% on both employees and employers, to go into effect next Jan. 1. It can and should be postponed, for the old-age and survivors trust fund has now reached $18 billion dollars and receipts at present tax rates are in excess of current expenditures. This will be a worthwhile saving to wage-earners and, in my judgment, is simple justice to them.

Finally—Another relief for the taxpayers will be the reduction in personal income taxes that will go into effect next Jan. 1.

While this is in accordance with the letter of the existing law, it would not have been possible but for the economies in government that have been and are being made by this Administration. At the same time, I do not believe that the American people think that earlier reduction would be prudent. Your many communications to me show that—first of all —you want our nation secure and our dollar sound. This Administration agrees. To advance by six months the date of this scheduled reduction would take away $1.5 billion and, to that extent would risk both of the objectives we seek.

No effort will be spared in the coming months to achieve additional vital economies. To do this in significant amounts will depend on some gradual improvement in the world situation. If we should be disappointed in this, I shall, of course, be compelled to make recommendations for alternative sources of revenue. But if these efforts prove successful, a balanced budget will come within sight.

Will Propose a Completely Revised Tax Program

Next January I shall recommend a completely revised program of taxation. Already appropriate studies are under way in the House Ways and Means Committee and in the Treasury Department. Our system of taxation must not only provide our government with the resources to be strong for freedom's sake — but also enable our people to apply their initiative and industry fruitfully in an economy that is itself free and strong. This means taxes so adjusted as to fall where payment is least harmful—and so planned as to create jobs and expand the income of the mass of our people.

I have spoken to you tonight not only as your President but as one whose life has been devoted to the military defense of our country.

I have outlined my convictions as to the way to defend America.

This is the way to work for national security—in the full, true sense.

It is with the greatest confidence that I say to you:

We possess, as a people, all the qualities, all the talents, and all the resources necessary to resolve the problems inherited from the past or inherent in the present.

We live, as I have said, not in an instant of danger but in an age of danger.

We will meet it, as Americans, boldly, vigorously—and successfully.

We will make of it an age of productive freedom, unmatched in all man's history.

This is what I ask all of you to help to do.

Continued from page 2

The Security I Like Best

this division are primarily independent telephone companies through the U. S. A most interesting product in connection with the automatic switchboard is the automatic electronic toll ticketing equipment. This device records the number of calls, the time, the tariff and the tax, and when linked to a printing unit it produces this information on printed tickets, all automatically. Both this product and the automatic switchboards reduce labor costs and gradual acceptance of these units appears assured.

The sound equipment division manufactures specialty items such as high fidelity home music reproducing equipment, naval, school, hospital and other speaker systems. Among its very recent developments is a three dimensional sound system. This is not patentable but is well regarded in the trade.

The company is well situated in the broadcasting field, and operates Stations WHAM, WHFM, WHAM-TV. This has been a highly profitable operation from the start and the broadcasting division has had wide popular appeal throughout the Rochester area.

The radio-television division has been strengthened substantially during the past year, and at the close of 1952 inventories were the lowest the company has ever had. Sales exceed those of 1951 and the outlook at present continues highly satisfactory. This is especially true in view of the new additional television channels being opened up throughout the country.

The financial position is strong. Current assets as of Dec. 31, 1952 amounted to $24,634,936; cash $2,633,123, while current liabilities were $14,418,544. Net working capital of $10,216,392 was equal to $15.40 per share of common after allowance for notes outstanding and preferred stock. With these shares currently selling in the neighborhood of $22 a share net working capital alone constitutes about 73% of the market price.

Aggregate sales in the March 31 quarter of 1953 were $13,339,203 —or 48% over the corresponding part of 1952. Earnings in the 1953 quarter of $1.55 a share were limited by the maximum excess profits tax provision of 70%, whereas in the similar 1952 period earnings were equal to 65 cents a share after the normal corporate tax rate of 52%. It is my belief that net earnings after taxes in the current 1953 year will approximate $6-$7 a share.

It is my opinion that the earnings trend from here out is definitely upward. In 1952 Stromberg reported earnings of $3.28 a share; in 1951 earnings were $1.66 and in 1950 $2.53 a share. Although sales in 1949 were slightly better than 1948, a loss of $1.87 a share was realized. This, however, was the first full year in which Mr. Tait handled the company, and was a result of his revaluation of assets to a very conservative figure. At that time the company's foundation was made secure in order to assure the present and future success which is now in process of developing.

On April 22 stockholders approved by a 73% vote a stock option plan covering 17,500 shares of common for issuance to certain employees. Not over 3,000 shares may be issued to any one individual and are effective at the market closing on the day after stockholders' meeting April 22. The options have five years to run before expiration.

The $2 cumulative preferred is convertible into 2.42 shares of common for each share of preferred. Complete conversion of the preferred now outstanding (over 20% has been converted in the last two months), would bring the total number of common shares outstanding, exclusive of stock options, to 495,000 shares.

There is no question that Stromberg's rate of growth is greater than any comparable competitor.

Dividends have been conservative. The company is arriving at the point, in view of its improving earnings trend, when more liberal disbursements might reasonably be expected to be forthcoming. In 1952 a dividend of $1 a share was paid. In February, 1953 the quarterly rate was raised from 25 cents to 37½ cents, or $1.50 a share annually. Further liberal payments are anticipated with the possibility of a stock dividend at a future time. With increasing investor recognition, it is my belief that an application for listing on the New York Stock Exchange may be made in due course.

To sum up: We have a company which, due to new and competent management, has made extraordinary strides on the road to success. Pre-tax profit margins have risen from 5.75% in the first quarter of 1952 to the almost incredible figure of 14.4% in this year. This bespeaks management as nothing else could. It appears to me that considering this management, the growth factors in this industry, the small capitalization and the outlook for sound expansion and increasing earnings, the equity around current levels of 22 seems worth appreciably more both now and in the future.

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Nudging the Inevitable—A Proposal for Freer Foreign Trade

way, if possible, during the present session of Congress.

This doesn't mean borrowing blindly from the economics textbooks, waving a wand, and abolishing all barriers in one magic sweep. The theoretical adjustments of the "long run" are painless and simultaneous only in intellectual model-building. In practice and in fact we start with a very imperfect model and must allow time for it to readjust to change.

Our actual economic structure today is one in which many trade barriers exist. Over many years our system has adapted to them and been built on them. It cannot un-adapt or de-build, it cannot re-adapt and re-build, overnight without dislocation and disruption. How much, no one really knows, probably less than is generally feared. But still it must be cushioned. Neither can we let economic ideals blind us to military necessities and political realities. We must preserve militarily strategic skills within the nation. We must guard ourselves against economic warfare.

But if we can find a way to meet these problems, and can establish machinery to handle problems unforeseen, if we allow time during which the difficulties can be ironed out, but still move in the direction of freer trade, then we shall have accomplished much. And we shall have the promise of accomplishing much more.

Let me submit for your consideration, then, the outlines of a legislative program which I believe would start us in the right direction and which, if we have the will to do it, would add mightily to our national economic strength.

A New Commercial Policy Program

I propose that, instead of extending or amending the Reciprocal Trade Agreements Act this year, the Congress should prepare a new omnibus commercial policy bill. It might be called the Trade Expansion Act of 1953, and it should include the following general provisions:

I

Customs Simplification

Anyone who has ever dealt with the Customs knows what is meant by red tape. The delays, complications and confused valuation procedures which describe present Customs practice have long exasperated the most patient foreign traders, and have been serious deterrents to our import trade. Clarification and simplification is past due.

It is encouraging to know that a Customs Simplification bill is scheduled for action during this Session of Congress. However, the original bill submitted to the 81st Congress is far preferable to the emasculated substitute measure passed by the House last year, especially on the tricky question of valuation of imports. If the old bill were resurrected it would provide an excellent basis for the legislation that is needed.

II

Tariff Reduction

And here's a scheme we might call the "Percent a Month Plan." Rather than continue to negotiate commodity by commodity and country by country, with most favored nation extension, as we do under the Reciprocal Trade Agreements, and certainly rather than expose the individual items of our Tariff schedules to Congressional log-rolling, it might be better for us to start with the schedules in existence today, recognizing that however fair or unfair they may be, they are existing facts, to which domestic and foreign industries have adjusted themselves.

Using them as a starting point, we should provide for their progressive reduction. I would suggest that we make unilateral, across-the-board, gradual and progressive cuts—say at the rate of one percent a month.

Here's how it could work. Let's make the starting date January, 1954. On imports during that first month, Customs officials would compute the duty on each import and collect 99% of it. On imports in February they would collect 98%. Each additional month would add a further 1% discount. At the end of a year the tariff collected would have crept down to 88% of what it is today. If this system were continued for eight and one-third successive years we finally would get rid of our tariffs.

Meanwhile we would minimize the disruption to the economy. Importers and exporters and domestic producers would be given time to readjust to the new situation. The impact of the change at any moment would be small. The amount of the change in the future would be known and plans could be adjusted accordingly.

Also while these creeping reductions were going on, at a slow but inexorable pace, we would be in a position to assess their consequences. We could gauge the amount of injury to domestic producers and their ability to readjust. We could see the degree of displacement of labor and the speed of its reabsorption. We could measure the extent to which our imports actually were increasing. We could watch the effect on the dollar balances of the countries that trade with us and observe the degree to which these countries were meanwhile relaxing their own barriers to international trade.

Given these facts we could decide, at any time along the way, whether to amend, accelerate or decelerate the basic program. But first we have to get started on it.

III

Exceptions to the Tariff Reduction Program

Exceptions and escape clauses to the operation of these continuing percent-a-month tariff cuts would have to be established to meet three contingencies:

First: Protection of Strategic Industries and Skills.

If progressive tariff cuts should threaten to eliminate or if they unduly diminished the volume of production of those domestic industries which are strategically essential to the military defense of the nation, provision would have to be made to maintain those industries and preserve the skills of their labor.

The initial responsibility for meeting this problem properly rests with the National Security Council. It should be empowered to direct the Defense Department to place sustaining orders, at premium prices if necessary, to maintain those industries and skills. Where that is not feasible, or if that is inadequate, the Security Council should then certify to the President the strategic importance of the industry and request him, by Executive Order, to stop the further decline of tariff protection for the industry involved.

As a check on the military, lest they be tempted to favor such protection indiscriminately, the Defense Department should be obliged to grant draft deferment to the specially skilled employees engaged in strategic work.

Second: Protection of Displaced Labor.

The Department of Labor should assist in the training and relocation of such labor as is displaced by the progressive tariff reductions. Given the gradualness of the proposed program this should not be too much of a problem except in rare instances of single industry communities or of general unemployment due to depression.

Whenever the ordinary reliefs of distressed industrial areas are demonstrably inadequate the Department should certify to the President the necessity of temporarily arresting further tariff cuts for the industry involved until the labor is reabsorbed in other industries. In the case of general unemployment, the President should be empowered to postpone all further tariff cuts until total employment rises again.

It is true, of course, that the competition of imported goods may entail hardship for some domestic producers as well as for the labor they employ. For some firms it may cause a loss of profits or a decline of sales. For a few it might even mean they would go out of business.

I believe that the soundest national policy would be to provide these firms ample warning and time to make their readjustments, but that they should receive no financial relief except tax write-offs of their capital invested.

Competition from imports should be accepted by industry in the same fashion as it now meets the competition of new or aggressive domestic producers or the introduction of new processes and products. Tariffs should not be used to bolster obsolescence or comparative inefficiency at the expense of the rest of the nation.

Third: Protection Against Foreign "Dumping."

It is conceivable that, as a measure of economic warfare, another nation might attempt to flood our markets with goods offered at excessively low prices, unrelated to their costs of production.

If, in the opinion of the President, such tactics are being employed by another country, he should be empowered to suspend imports of the commodities involved, or even of all commodities originating in the nation engaged in the practice of dumping its goods.

IV

Abolition of Import Quotas

Import quotas are particularly uneconomic protective devices. As barriers to trade they are even more undesirable than tariffs.

The United States has lodged bitter complaints against other nations for using quotas to protect their industries or their dollar balances, and we should continue to do so. The logic of our position is seriously weakened by the fact that, in some instances, notably for such agricultural products as wheat, sugar, cotton and cheese, we too, employ protective quotas.

To abolish all quotas immediately, while desirable in principle, would probably be too upsetting to our farm economy. Accordingly, a more gradual approach, comparable to that with tariffs, should be adopted.

New legislation should:

First, remove the authority of the Secretary of Agriculture to impose new and additional import quotas.

Second, in cases where absolute prohibition of imports has been invoked — such as dried milk where our import quota is zero—substitute instead an import quota equal to say, 50% of the volume of imports during the years immediately prior to the imposition of the quota.

And third, in all cases where a quota has been set up, it should be increased by a fixed percentage—say 20% a year progressively. Eventually the quota will become larger than the volume of imports. Then, since it is inoperative, it can be removed altogether.

V

Repeal of Buy America Clauses

Beginning with the Treasury and Post Office Appropriations Act of 1934 and running through later public housing legislation, rural electrification legislation, the Stockpiling Act and the Defense Department Appropriations Act for fiscal 1953, government agencies have been required to give preference to domestic producers in their purchases. In general Federal purchases from foreign sources cannot be made unless the price, after customs duties, is 25% or more below the domestic price.

I believe that all such preferential clauses in Federal legislation should be repealed. Certainly on strategic items or military secrets the Defense Department should do its procurement at home, but there seems no justification otherwise in a competitive society for procedures by which the taxpayer, through his government, pays a premium to support specific domestic industries.

VI

Establishment of a Permanent Citizens' Commission

The President has already appointed a group, headed by former Ambassador Lewis Douglas, to review and report on our foreign economic policy. I should like to see such a group formalized and made permanent.

The legislative program just suggested has been directed almost exclusively to increasing the physical flow of goods into this country with the minimum disruption of the domestic economy. As such it attacks only one of the many problems involved in international economic relations. And the program itself has consequences at home and abroad which no one can foresee. Machinery must be established to provide continuous and objective review.

The final provision, therefore, is for the President to appoint, subject to Senate confirmation, an advisory commission of private citizens charged with furthering the expansion of international trade. As their principal duties they should:

First, continuously study the effects of this program and make recommendations for its acceleration, deceleration or amendment according to its observed impact on the domestic economy.

Second, consider this legislation as part of the larger problem of United States foreign economic policy. Institute studies of the relationship to the international balance of payments of tariff reduction, loans, aid programs and foreign investments.

Third make recommendations as to reciprocal concessions which the United States should obtain from other countries to remove their restrictions on international trade.

And fourth, serve as watch-dogs of national policy to insure that special interest legislation is never again allowed to transcend the basic national interest in the expansion of trade.

* * *

That, gentleman, is the proposal. It isn't spelled out in precise detail. That is a job for the President and the Congress. Nor is it so rigid that it cannot be altered. Public discussion, hard thinking and the facts of politics may dictate some compromises. But its intent is clear, its mechanism relatively simple, and the goal is challenging and desirable.

Great strides have been made in public understanding of where our interests lie and in our national policy since the days of the Smoot-Hawley tariffs. The Reciprocal Trade Agreements Program, for all its inadequacies, proves our growing recognition that the United States is a mature member of the international economic family. As such it has deserved the support of all who decry restrictions on trade and seek to whittle them away. It we can do no better, we must continue that program.

But the need is urgent for bolder steps. I hope they will be taken, and without further delay.

Illinois Bankers To Convene in June

CHICAGO, Ill.—The 62nd Convention of the Illinois Bankers Association will be held at the Hotel Jefferson in St. Louis, Missouri on June 2, 3, and 4, 1953, according to an announcement by Kirk E. Sutherland, Association Secretary.

This year's Convention promises to be one of the finest that the Association has ever sponsored.

Thirteen speakers have been engaged for the various convention sessions. Included among these are Delos Johns, President, Federal Reserve Bank of St. Louis; Everett D. Reese, Vice-President, American Bankers Association; Dr. D. W. Morris, President, Southern Illinois University, Carbondale; James C. Downs, Jr., President, Real Estate Research Corporation, Chicago; and Warren F. Sarle, Vice-President, The Northern Trust Company, Chicago; Elmer R. Wheeler, of "Sizzle Sales" fame; Fred Florence, President of the Republic National Bank of Dallas; Miss Lucille La-Chapelle, renowned vocal instructor and Mrs. Ralph Roscher, expert on the application of color; and Dr. Kenneth Hood, Assistant Director of the Commodity Departments of the American Farm Bureau Federation, Chicago.

In conjunction with the Convention there will be three days of exhibits on display at the Hotel Jefferson. These exhibits will include all types of services and equipment of interest to the banking business.

A featured event at the Convention will be a Golf Tournament held at the Norwood Hills Country Club in St. Louis on June 2. This tournament will be opened to all member bankers and their ladies. Some of the finer golfers in Illinois will contend for the many prizes.

At the Convention, there will be an election of both Illinois Bankers Association officers for the new Association year starting July 1, 1953, and Illinois officers of the American Bankers Association.

Several committee meetings and the Annual Meeting of the Installment Lending Division of the Illinois Bankers Association will be held on June 2.

Firm Name to Be Unterberg, Towbin Co.

Effective June 1st, the firm name of C. E. Unterberg & Co., 61 Broadway, New York City, will be changed to C. E. Unterberg, Towbin & Co. Partners, Clarence E. Unterberg and Belmont Towbin, will remain the same.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 24	§100.2	*100.3	101.0	102.7
Equivalent to—					
Steel ingots and castings (net tons)	May 24	§2,259,000	*2,262,000	2,276,000	2,134,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 9	6,334,550	6,276,150	6,267,750	
Crude runs to stills—daily average (bbls.)	May 9	¶6,865,000	6,949,000	6,705,000	
Gasoline output (bbls.)	May 9	23,041,000	23,322,000	22,503,000	
Kerosene output (bbls.)	May 9	2,373,000	2,674,000	2,678,000	
Distillate fuel oil output (bbls.)	May 9	9,465,000	10,012,000	9,790,000	Not
Residual fuel oil output (bbls.)	May 9	8,772,000	8,457,000	8,723,000	Available
Stocks at refineries, bulk terminals, in transit, in pipe lines—					(Strike)
Finished and unfinished gasoline (bbls.) at	May 9	157,337,000	157,599,000	161,207,000	
Kerosene (bbls.) at	May 9	20,221,000	20,040,000	19,075,000	
Distillate fuel oil (bbls.) at	May 9	62,964,000	61,314,000	60,972,000	
Residual fuel oil (bbls.) at	May 9	40,070,000	38,929,000	40,663,000	
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 9	765,411	781,499	721,139	719,859
Revenue freight received from connections (no. of cars)	May 9	681,058	682,457	646,149	622,708
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 14	$282,232,000	$252,625,000	$275,001,000	$284,683,000
Private construction	May 14	173,602,000	152,466,000	148,335,000	165,538,000
Public construction	May 14	108,630,000	100,159,000	126,666,000	119,145,000
State and municipal	May 14	86,017,000	79,359,000	95,002,000	80,117,000
Federal	May 14	22,613,000	20,800,000	31,664,000	39,028,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 9	8,815,000	8,750,000	8,460,000	7,960,000
Pennsylvania anthracite (tons)	May 9	606,000	587,000	448,000	754,000
Beehive coke (tons)	May 9	142,000	116,000	122,900	88,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 9	127	*114	97	117
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 16	7,959,054	7,896,539	8,112,969	7,110,393
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 14	198	165	165	154
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 12	4.390c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	May 12	$55.26	$55.26	$55.26	$52.77
Scrap steel (per gross ton)	May 12	$38.66	$38.83	$42.75	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 13	29.700c	29.675c	29.825c	24.200c
Export refinery at	May 13	29.550c	29.925c	33.125c	27.425c
Straits tin (New York) at	May 13	97.000c	100.000c	99.500c	121.500c
Lead (New York) at	May 13	12.500c	12.500c	13.000c	15.000c
Lead (St. Louis) at	May 13	12.300c	12.300c	12.800c	14.800c
Zinc (East St. Louis) at	May 13	11.000c	11.000c	11.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 19	91.99	92.04	93.60	99.00
Average corporate	May 19	103.47	103.80	105.69	110.15
Aaa	May 19	106.74	106.92	108.88	114.46
Aa	May 19	105.52	105.86	107.62	112.93
A	May 19	102.63	103.13	104.83	109.60
Baa	May 19	99.52	99.68	101.64	104.31
Railroad Group	May 19	101.97	102.13	103.97	107.44
Public Utilities Group	May 19	102.63	103.13	105.00	109.79
Industrials Group	May 19	106.04	106.21	108.16	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 19	3.09	3.08	2.97	2.56
Average corporate	May 19	3.54	3.52	3.41	3.16
Aaa	May 19	3.35	3.34	3.23	2.93
Aa	May 19	3.42	3.40	3.30	3.01
A	May 19	3.59	3.56	3.46	3.19
Baa	May 19	3.78	3.77	3.65	3.49
Railroad Group	May 19	3.63	3.62	3.51	3.31
Public Utilities Group	May 19	3.59	3.56	3.45	3.18
Industrials Group	May 19	3.39	3.38	3.27	2.97
MOODY'S COMMODITY INDEX	May 19	416.9	415.9	415.3	439.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 9	291,615	341,666	223,165	204,041
Production (tons)	May 9	240,205	254,917	235,635	206,350
Percentage of activity	May 9	94	97	90	81
Unfilled orders (tons) at end of period	May 9	588,917	539,033	554,127	412,863
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 15	106.51	106.47	107.10	108.73
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 2	27,844	31,308	32,698	27,989
Number of shares	May 2	760,886	866,522	927,029	802,482
Dollar value	May 2	$35,070,220	$38,550,080	$40,150,266	$35,834,718
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 2	22,658	27,724	31,172	23,109
Customers' short sales	May 2	266	272	229	198
Customers' other sales	May 2	22,392	27,452	30,943	22,911
Number of shares—Total sales	May 2	624,644	777,027	910,364	660,310
Customers' short sales	May 2	12,873	11,444	7,517	7,792
Customers' other sales	May 2	611,771	765,583	902,847	652,518
Dollar value	May 2	$24,773,301	$31,423,632	$36,563,744	$27,739,245
Round-lot sales by dealers—					
Number of shares—Total sales	May 2	159,260	251,720	279,970	198,920
Short sales	May 2	------	------	------	------
Other sales	May 2	159,260	251,720	279,970	198,920
Round-lot purchases by dealers—					
Number of shares	May 2	309,620	319,280	278,550	310,790
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Apr. 25	324,230	292,080	385,390	282,540
Other sales	Apr. 25	8,380,750	7,389,220	9,731,330	6,949,140
Total sales	Apr. 25	8,704,980	7,681,300	10,116,720	7,231,680
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 25	863,090	734,940	1,010,130	774,990
Short sales	Apr. 25	127,470	137,410	179,880	146,330
Other sales	Apr. 25	737,300	646,220	860,170	631,940
Total sales	Apr. 25	864,770	783,630	1,040,050	778,270
Other transactions initiated on the floor—					
Total purchases	Apr. 25	206,540	197,980	335,360	219,600
Short sales	Apr. 25	15,100	12,900	32,900	16,100
Other sales	Apr. 25	297,440	224,830	290,230	195,780
Total sales	Apr. 25	312,540	237,730	323,130	211,880
Other transactions initiated off the floor—					
Total purchases	Apr. 25	331,149	259,705	431,865	289,833
Short sales	Apr. 25	54,650	60,190	74,090	36,600
Other sales	Apr. 25	458,265	323,010	425,760	353,495
Total sales	Apr. 25	512,915	383,200	499,850	390,095
Total round-lot transactions for account of members—					
Total purchases	Apr. 25	1,400,779	1,192,625	1,777,355	1,284,423
Short sales	Apr. 25	197,220	210,500	286,870	199,030
Other sales	Apr. 25	1,493,005	1,194,060	1,576,160	1,181,215
Total sales	Apr. 25	1,690,225	1,404,560	1,863,030	1,380,245
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 12	109.9	*109.9	109.5	111.6
Farm products	May 12	98.5	*99.0	98.0	108.3
Processed foods	May 12	104.5	*104.5	103.4	108.7
Meats	May 12	92.7	92.3	88.5	114.2
All commodities other than farm and foods	May 12	113.4	*113.4	113.3	112.9

*Revised figure. ¶Includes 590,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of April	9,545,000	*10,168,098	*7,992,140
Shipments of steel products, including alloy and stainless (net tons)—Month of March	7,436,919	6,533,227	6,890,391
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	80,546	83,485	83,011
Shipments (tons of 2,000 pounds)	86,156	77,285	85,592
Stocks at end of period (tons)	94,254	99,864	23,423
Unfilled orders at end of period (tons)	38,722	54,524	56,838
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of April (in thousands)	$145,641,000	$153,511,000	$134,145,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of April 30:			
Imports	$229,123,000	$237,426,000	$210,951,000
Exports	114,850,000	110,412,000	134,932,000
Domestic shipments	10,570,000	8,914,000	7,172,000
Domestic warehouse credits	26,556,000	39,942,000	14,418,000
Dollar exchange	42,900,000	38,600,000	6,337,000
Based on goods stored and shipped between foreign countries	31,170,000	32,336,000	48,444,000
Total	$455,169,000	$467,630,000	$422,254,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$2,638	$2,448	$2,516
Private construction	1,801	1,716	1,690
Residential building (nonfarm)	887	840	849
New dwelling units	785	750	750
Additions and alterations	82	71	87
Nonhousekeeping	20	19	12
Nonresidential building (nonfarm)	424	430	386
Industrial	192	198	194
Commercial	113	114	73
Warehouses, office and loft buildings	49	49	33
Stores, restaurants, and garages	64	65	40
Other nonresidential building	119	118	119
Religious	33	33	28
Educational	31	30	26
Social and recreational	11	11	9
Hospital and institutional	25	26	33
Miscellaneous	19	18	23
Farm construction	137	122	136
Public utilities	344	316	313
Railroad	33	31	32
Telephone and telegraph	47	47	45
Other public utilities	264	238	236
All other private	9	8	6
Public construction	837	732	826
Residential building	48	46	54
Nonresidential building	344	325	343
Industrial	138	122	138
Educational	137	137	135
Hospital and institutional	34	34	42
Other nonresidential building	35	32	28
Military and naval facilities	114	107	109
Highways	185	120	175
Sewer and water	60	57	56
Miscellaneous public service enterprises	14	13	15
Conservation and development	64	58	68
All other public	8	6	6
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of March	9,635	*7,943	7,902
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—			
As of April 30 (000's omitted)	$464,000	$507,000	$544,000
COPPER INSTITUTE—For month of April:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	95,888	*101,825	89,475
Refined (tons of 2,000 pounds)	112,660	112,016	98,402
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	142,282	133,462	107,579
Refined copper stock at end of period (tons of 2,000 pounds)	48,362	55,807	61,223
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX—1935-39=100 (COPYRIGHTED)—			
As of May 1:			
Composite index	104.7	104.7	105.6
Piece goods	97.2	97.6	97.5
Men's apparel	105.4	105.4	106.2
Women's apparel	100.4	100.4	101.3
Infants' and children's wear	104.8	104.8	105.9
Home furnishings	107.6	107.6	108.4
Piece goods—			
Rayon and silks	90.2	90.6	90.7
Woolens	107.5	107.6	110.5
Cotton wash goods	94.7	95.4	94.6
Domestics—			
Sheets	101.6	102.2	102.2
Blankets and comforters	120.4	120.4	121.7
Women's apparel—			
Hosiery	95.0	94.8	95.3
Aprons and housedresses	98.0	98.1	97.5
Corsets and brassieres	107.3	107.3	107.9
Furs	91.9	91.9	96.8
Underwear	99.2	99.2	100.2
Shoes	108.6	108.6	109.2
Men's apparel—			
Hosiery	107.0	107.0	106.6
Underwear	110.0	110.0	110.6
Shirts and neckwear	102.4	102.4	102.4
Hats and caps	100.2	100.2	100.2
Clothing, including overalls	102.8	102.8	104.5
Shoes	106.7	106.7	108.6
Infants' and children's wear—			
Socks	102.9	102.9	102.9
Underwear	102.8	102.8	102.9
Shoes	110.0	110.0	112.3
Furniture	108.2	108.2	108.2
Floor coverings	118.6	118.4	118.9
Radios	101.1	101.1	102.8
Luggage	100.9	100.8	101.8
Electrical household appliances	104.5	104.4	106.3
China	101.7	101.6	100.7
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—			
Month of April:			
Deliveries (number of cars)	6,839	6,679	7,403
Backlog of orders at end of month (number of cars)	62,637	68,553	108,270
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of March: (1935-39 average = 100)	119.4	118.9	122.7

*Revised figure.

Continued from page 6

Outlook for Appliance And Television Industries

who are master salesmen, are out to close that gap. The pressure of their competition on our industry is going to be terrific. Another example is the building industry, which is planning to put up more than a million homes again this year. It is conducting an organized search right now for better ways to sell and easier ways to finance new homes. And don't forget the automobile and building industries are merely illustrative of the competition for the consumers' dollar that is coming from every direction at once.

Areas of Improvement

Our industry cannot stand still and meet such competition. We have got to progress and progress fast. There are five principal areas where there is a crying need for improvement. One is the layout of dealers' stores and their display techniques. Second is the quality and training of retail sales personnel. Third is in promotion and mechandising. Fourth is in personal contacting or, if you will, doorbell ringing, to get prospects. Fifth is in service, which too frequently is neither prompt, reliable nor friendly.

Most leading manufacturers in the industry have been working hard to help dealers do a better job in these five fundamentals of sound retailing. Many dealers have been plugging hard at the problem too. But the majority still have not seen the handwriting on the wall.

I have heard dealers complain that the factories overburden them with sales help and wear them out with selling and sales training advice. Recently, as many of you know, Admiral worked out a tie-in promotion with the Peter Pan motion picture to build store traffic. We offered to give away a complete miniature TV studio to every youngster who brought his parents in to a dealer and asked to see an Admiral product. The cost to us, exclusive of advertising was 49 cents. We sold the giveaway to the dealer at 18 cents. We are glad to spend 31 cents to get a prospect into a dealer's store.

Dealers should welcome with open arms any manufacturer's representative who walks in with a live promotion. You can bet your last dollar that more of these traffic builders are coming. The manufacturer who originates the best ideas, and the dealers who capitalize on the most effective ones will get the business.

Some of you may recall Admiral's offer to give away four glasses to people visiting a dealer's store during political conventions last summer. We plugged that promotion hard over national TV and radio networks in connection with our sponsorship of convention coverage. Four hundred thousand people visited dealers and specifically asked for the glass set. One million six hundred thousand glasses were given away. That's what I call creating store traffic with an idea.

Manufacturers can only do part of this job. Dealers must also work out their own local promotions. And they can't take advantage of traffic unless they have an attractive store with well displayed merchandise, and salesmen who can close a sale when a prospect is in front of them.

I know I'm talking about the very roots of retailing. But we've got to get back to them in our industry—not halfway but whole hog. They must become our daily way of life, just as they were before World War II.

Despite the very real problems we face in rebuilding our selling we have one big advantage over many competing industries. The market for practically every major electrical appliance is in its infancy.

Home freezers are an excellent example. Only 12% of electrified homes have freezers today. Within 10 years I expect them to be in almost as universal use as refrigerators are now. Most of the other major appliances have similar growth possibilities. Air conditioning will become the rule rather than the exception in the home of the future. Automatic laundry equipment will be as commonplace as the conventional wringer washer is today. The American home is going to be mechanized and the homemaker freed of physical labor as completely as her husband already has been in the factory. That may sound visionary. It is not only coming, however, it is already well under way.

Will There Be Buying Power?

You may ask "Where is the money coming from?" I suppose people asked that same question when the automobile industry was in its infancy. The answer is, of course, that it is coming out of increased real wages which the American worker will earn as a result of increased productivity. People can use only so much of non-durable consumption items such as food. As their income increases the gain is spent on durable goods which add to the ease and pleasure of living. This is the historic pattern of American progress. There is every reason to expect that it will continue to be. By the time another 10 years has passed, the amount of disposable personal income spent annually for electrical appliances should be at least double.

So much for appliances. Now let's talk about TV. Television already has become a necessity in 23 million homes and there are 23 million more families eagerly waiting for it. Receiver production this year should run between 6½ and 7 million units. In the new markets opened since the freeze was lifted last year, TV is getting even more rapid acceptance than it experienced in the pre-freeze markets in 1949 and 1950. This demand, which will continue to grow, combined with demand from established markets, is certain to keep TV production at a very high level for several years to come.

Here in New York, and in other leading cities which have had TV since the start of commercial telecasting, four out of five families now have sets. Almost half of the sets in use, however, are obsolete, small screen models. These are currently being replaced and will be replaced at a more rapid rate if we do a real selling job.

Is There Danger of Saturation

I know you are concerned about saturation here in your market. The solution lies in selling big screen sets to present small screen owners and in selling the idea of two set ownership. We manufacturers are doing our utmost to give you advanced, large screen sets at bargain prices to help you.

The concept of saturation fits only in a static economy. By improvements in performance, quality and style, American industry is continuously obsoleting its earlier production. The automobile and radio industries provide classic examples of this process in operation. Television will do the same.

TV will also follow the pattern of radio in another respect. In all but the lowest income brackets two sets in the home will become standard. As yet the surface of the second set market has only been scratched. Less than 1% of TV homes have more than one receiver. Contrast that with the extremely high multiple ownership of radio receivers. Or, if you will, contrast it with multiple ownership of automobiles. One out of each eight families already owns two or more cars, despite the heavy initial cost and the high operating expense.

I know that replacement and multiple ownership have been discussed time after time. They cannot be overemphasized, however. Together they will provide a very substantial and permanent TV business in all markets for strong manufacturers and strong dealers.

Color TV

No discussion of the television outlook today would be complete without a review of the prospects for color TV.

Since the government ban on color set production was lifted a short while ago, color has been in the news in a big way. Congress, through the House Interstate and Foreign Commerce Committee, has again interested itself in the subject. At the moment, strong pressure is being exerted to get color on the air. There have even been dark hints that undisclosed but sinister forces are interested in holding color television back.

Personally, I know of no one in the industry who is not extremely anxious for this forward step when it is technically ready. Admiral certainly is. We have been conducting intensive research in color reception for years in two laboratories—one at Chicago and one at Palo Alto, California.

Each laboratory has cooperated closely with the National Television Standards Committee, which comprises engineers representing all interests in the industry. The NTSC, as the Committee is known, has been working intensively to develop standards for a compatible color telecasting system. As you know, the system authorized by the FCC in the fall of 1950 was incompatible and was, therefore, considered unacceptable by almost the entire industry.

The NTSC recently arrived at compatible standards and they are now being field tested. These tests are expected to be completed during the summer and the FCC then will be asked to approve the standards proposed by the Committee.

Three questions remain: First, will the commission approve the NTSC standards? Second, if the commission approves, how much time will elapse before color receivers are available to the public? Third, what will they cost?

The presumption—but it is only presumption—is growing that the commission will approve the NTSC standards by early 1954. If this proves to be the case, the real posers are questions number two and three: When will color receivers be publicly available? What will they cost? Recently statements have been made and widely publicized that sets will be on the market in 9 to 12 months after the NTSC standards are adopted. At the other extreme are predictions that color is five to ten years away.

In our opinion it is impossible at the present time to forecast when color sets will be available in appreciable numbers. A handful of sets might reach the market within a year after a compatible color system is approved — but only a handful.

There are two principal elements in a color receiver—the set itself and the picture tube. We have in our laboratories today receivers with circuits which produce excellent results. We could get them into volume production within nine months to a year after the FCC gives the go ahead on compatible standards.

But the problem is with the picture tube. At present, two types are available. Both are hand made, bulky and very expensive. One does not give a color picture which we consider satisfactory. The other is extremely complex and requires very critical adjustments. An Admiral engineer spent months acquiring the skill to bring the three colors into registration on these tubes. There are 12 adjustments necessary to register the tube, all of which are interdependent.

Mathematically that makes thousands of combinations of adjustments possible, of which only one is correct. Moreover, the present tube may only stay in registration for a matter of days.

You can visualize the difficulty of training servicemen, the servicing problems and the public reaction that would result if such a complicated instrument were put into homes for everyday use. To put it in a sentence, this tube is a laboratory device. It cannot be considered ready for public use by the longest stretch of the imagination. Even if the tube were dependable and serviceable in the field, it is still too complex to be mass produced at a reasonable cost.

So, gentlemen, don't be misled by talk that color is just around the corner. First, the industry has to have the right color tube and the right tube simply doesn't exist at present. And when such a tube is developed, at least a year will be required to tool up for mass production.

I am as anxious to see color ready for public us as anybody in or out of the industry. When it is ready, color will give TV the same kind of boost it is now getting from the opening of new markets and the introduction of new larger screen models. But the most serious mistake anyone could possibly make would be to force color set production before the picture tube problem is licked.

If we move prematurely, we could set color back for years. Black and white TV never would be where it is today if it had not been carried to a high state of practicability before being sold to the public.

I have no idea when a more advanced, less complicated color tube will be available. I do know, however, that scientific progress cannot be produced or hastened by either Congressional mandate or wishful thinking.

There has been a great deal of speculating done on our third question, the matter of the probable cost of a color receiver. What you have heard is pure guessing because cost is absolutely incomputable until the industry has a picture tube which can be mass produced, easily registered, and which will be as reliable in field service as present black and white tubes. How, gentlemen, can you estimate the cost of something that isn't designed as yet?

When the tube problem is licked, I am confident that everything else will follow. We will be able to produce sets at a price well within the reach of the great mass of American families. Broadcasting stations and networks will be eager to make the necessary investment in color equipment even though costs are enormous. Despite all the stories you hear about the high cost of black and white TV to advertisers, I have no doubt whatever that sponsors will be willing to absorb the additional cost for color when they see the public is willing to buy the receivers. All we have to avoid is moving too soon. The one sure way to kill color would be to release it before it is technically ready for everyday trouble-free service in the home. I fervently hope the industry will not make that mistake.

I have covered quite a bit of ground tonight. To summarize, I believe we have seen the last of shortages. We have built the dual economy we set out three years ago to create. All-out competition, which is normal and healthy for American business, is back to stay. To meet heightened competition we will have to strengthen every phase of our selling. We have a big advantage, however, in the fact that appliances and television are both growth industries. It is impossible to be anything but very optimistic about their future.

The American people are dynamic. They are rapidly growing in numbers and they want progress. They want more conveniences, more things that eliminate drudgery and more things that contribute to their enjoyment of living. No industry has more to offer to satisfy these desires than the home appliance and television industries. We could not ask for a greater opportunity.

"Exempters" to Hold Annual Field Day

CHICAGO, Ill. — The annual field day of The Exempters, the municipal bond organization for young men on La Salle Street, will be held at the Nordic Hills Country Club, Friday, May 22. Municipal bond men from other La Salle Street organizations as well as from cities throughout the Midwest will attend. Golf and softball will be the featured entertainment of the day. Golf prizes for low gross, low net and high net will be awarded. Robert E. Simond, Jr., Halsey, Stuart & Co., Inc., is general outing Chairman, and Raymond B. McCabe, Halsey, Stuart & Co., Inc., is assistant. James G. Brophy, Blyth & Co., is President; George R. Smith, Glore, Forgan & Co., is Secretary, and Byron J. Sayre, John Nuveen & Co., is Treasurer. Directors include the officers and William A. Noonan, Jr., Continental Illinois National Bank and Trust Company, and Henry J. Jensen, Eastman, Dillon & Co. Blair A. Phillips, Jr., White-Phillips Co., Inc., is Chairman of the golf committee; Walter A. Hintz, Stone & Webster Securities Corp., softball committee; Lee H. Ray, Continental Illinois National Bank & Trust Co., guest committee; Edward S. Beaumont, Bache & Co., food committee; Ronald M. Coutts, John Nuveen & Co., prizes committee; John N. Faust, Kidder, Peabody & Co., raffle committee, and Wilbur Inman, John Nuveen & Co., publicity committee.

Bernard DeCheine With Shearson, Hammill

(Special to The Financial Chronicle)

LA CROSSE, Wis.—Bernard L. DeCheine has become associated with Shearson, Hammill & Co. Mr. DeCheine was formerly with Ames, Emerich & Co., Inc., and Dayton & Gernon. Prior thereto he was Manager of the Trading Department for J. M. Dain & Co. of Minneapolis.

Join Hanrahan Staff

(Special to The Financial Chronicle)

WORCESTER, Mass. — John L. Charamella and Joseph G. Moller are now with Hanrahan & Co., 332 Main Street, members of the Boston and Midwest Stock Exchanges.

With Keenan & Clarey

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Floyd B. Strom has become associated with Keenan & Clarey, Inc., McKnight Building. He was formerly an officer of the Elysian State Bank.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aberdeen Idaho Mining Co., Wallace, Idaho
March 30 (letter of notification) 100,000 shares of non-assessable common stock. **Price** — 15 cents per share. **Proceeds** — To develop mining claims. **Underwriter** — Wallace Brokerage Co., Wallace, Idaho.

ACF-Brill Motors Co., Philadelphia, Pa.
April 20 filed 215,360 shares of common stock (par $2.50) and 44,303.5 common stock subscription warrants. **Price** —At prices not less than 50 cents per share of stock and 25 cents per warrant below current market. **Proceeds**— To Allen & Co., New York. **Underwriter**—None.

Acryvin Corp. of America, Inc.
May 7 (letter of notification) 3,000 shares of common stock. **Price**—At market (about $2 to $2½ per share). **Proceeds**—To Nash S. Eldridge, the selling stockholder. **Office**—464-72 East 99th St., Brooklyn 12, N. Y. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Acteon Gold Mines Ltd., Vancouver, B. C., Can.
April 22 filed 250,000 shares of common stock (no par). **Price**—$1 per share (net to company). **Proceeds** — To purchase equipment and supplies. **Underwriter**—M. H. B. Weikel, Los Angeles, Calif.

★ **Adams (W. Smiley), Inc. (Pa.)**
May 11 (letter of notification) 892 shares of 6% cumulative preferred stock (par $100) and 4,460 shares of common stock (par $1) in units of one preferred and five common shares. **Price**—$125 per unit. **Proceeds**— For working capital. **Business**—To assemble and deal in hydraulic pistons and piston parts. **Office**—Haverford Road and Millbrook Lane, Haverford, Pa. **Underwriter** —None.

• **American Automobile Insurance Co. (6/3)**
May 13 filed 125,000 shares of capital stock (par $4) to be offered for subscription by stockholders on or about June 2 on the basis of one new share for each four shares held; rights to expire about June 17. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—St. Louis, Mo. **Underwriter**—Kidder, Peabody & Co., New York.

★ **American Brands Corp., Reno, Nev.**
May 18 (letter of notification) 28,500 shares of common stock (par 25 cents). **Price**—At market (about $3.50 per share). **Proceeds** — To Alfred D. McKelvy, President, who is the selling stockholder. **Office**—206 No. Virginia St., Reno, Nev.

American Gas & Electric Co. (6/9)
May 13 filed 800,000 shares of common stock (par $5). **Proceeds**—To be invested in operating subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: First Boston Corp.; Union Securities Corp.; Blyth & Co., Inc., and Goldman, Sachs & Co. (jointly). **Bids** — Tentatively scheduled to be received up to 11 a.m. (EDT) on June 9 at 30 Church St., New York 8, N. Y.

★ **American Machinery Corp., Orlando, Fla.**
May 18 (letter of notification) $200,000 of 5% convertible notes due 1963. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital. **Business**— Food processing machinery. **Underwriter**—Gordon Graves & Co., New York.

• **American National Finance Co. (5/29)**
May 12 (letter of notification) not exceeding 15,000 shares of common stock (no par) to be offered about May 29, for subscription by common stock holders of record May 15, at the rate of one new share for each three shares held (with an oversubscription privilege); rights to expire June 22. **Price**—$10 per share. **Proceeds** —For working capital. **Office**—47 Fulton St., Newark 2, N. J. **Underwriter**—None.

• **Arkansas Fuel Oil Corp., Shreveport, La. (6/2)**
May 1 filed $23,000,000 of sinking fund debentures due 1973 to be offered at rate of $10.60 principal amount of debentures in exchange for each share of 6% cumulative preferred stock (par $10) of Arkansas Natural Gas Corp. In lieu thereof, preferred stockholders may elect to take cash. **Proceeds**—To retire said preferred stock. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Equitable Securities Corp.; Smith, Barney & Co.; Blyth & Co., Inc. **Offering**—Expected at 11 a.m. (EDT) on June 2.

• **Arkansas Louisiana Gas Co. (5/25)**
April 22 filed $35,000,000 of first mortgage bonds due 1978. **Proceeds**—To repay $24,500,000 bank loans and for new construction, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Bids**—To be received up to noon (EDT) on May 25 at 70 Pine St., New York, N. Y.

★ **Arkansas Power & Light Co. (6/8)**
May 7 filed $18,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.; Equitable Securities Corp. and Central Republic Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—To be received up to noon (EDT) on June 8 at Two Rector St., New York, N. Y.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**— Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Temporarily postponed.

Athabasca Uranium Mines, Ltd. (formerly American-Canadian Uranium Co., Ltd.).
April 17 filed 500,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For engineering, development and mining expenses. **Underwriter**— George D. Clarke, Ltd., 50 Broad Street, New York.

Atomic Uranium Corp., Denver, Colo.
March 23 (letter of notification) 232,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration. **Office**—Interstate Trust Bldg., Denver, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

• **Aviation Equipment Corp. (5/26)**
April 17 filed $1,000,000 of 6% subordinated debentures due 1964; 8,000 shares of 6% preferred stock (par $50); and depositary receipts representing 8,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture, eight shares of preferred stock and depositary receipts representing eight shares of common stock. **Price** $1,550 per unit. **Proceeds**—From sale of securities, together with $4,000,000 to be borrowed from bank, to acquire airplanes and equipment and for working capital. **Underwriter**—Union Securities Corp., New York.

★ **Beryllium Corp., Reading, Pa. (6/8)**
May 15 filed 88,385 shares of common stock (no par) to be offered for subscription by common stockholders of record June 5 on the basis of one new share for each four shares held; rights will expire on June 18. **Price**— To be supplied by amendment. **Proceeds**—For a modernization and expansion program. **Business**—Produces beryllium alloys. **Underwriter**—Francis I. du Pont & Co.

★ **Brandywine Raceway Association, Inc., Wilmington, Del.**
May 14 filed $1,600,000 of 6% debentures due June 1, 1978 and 160,000 shares of capital stock (par $1) to be offered in units of one $500 debenture and 50 shares of stock. **Price**—$600 per unit. **Proceeds**—To repay debt and for working capital. **Underwriters**—Laird Securities Co., Inc., and Laird, Bissell & Meeds, both of Wilmington, Del.; and Harrison & Co., Philadelphia, Pa.

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NEW ISSUE CALENDAR

May 22, 1953
Financial Credit Corp.__________Preferred
(E. J. Fountain & Co., Inc.) $300,000
Texas Industries, Inc.__________Debentures
(Rauscher, Pierce & Co.; A. C. Allyn & Co., Inc.; and Russ & Co.) $3,500,000

May 25, 1953
Arkansas Louisiana Gas Co.__________Bonds
(Bids noon EDT) $35,000,000
Bangor & Aroostook RR.__________Bonds
(Bids 5:30 p.m. EDT) $1,675,000
Bunday's Water Co.__________Bonds
(Graham & Co.) $35,000
Peruvian Oil Concessions Co., Inc.__________Common
(B. G. Phillips & Co.) $2,000,000
Potomac Electric Power Co.__________Bonds
(Bids 11 a.m. EDT) $10,000,000

May 26, 1953
Aviation Equipment Corp.__________Debs. & Stock
(Union Securities Corp.)
Consolidated Natural Gas Co.__________Debentures
(Bids 11:30 a.m. EDT) $25,000,000
Government Employees Corp.__________Common
(Offering to stockholders—no underwriting)
Jewell Oil & Gas Corp.__________Common
(East Coast Securities Corp.) $299,975
Phillips Petroleum Co.__________Debentures
(Offering to stockholders—underwritten by The First Boston Corp.) $162,222,000
Rockhill Productions, Inc.__________Common
(Mortimer B. Burnside & Co., Inc.) $298,000
Three States Natural Gas Co.__________Common
(Lehman Brothers) 500,000 shares

May 27, 1953
Chicago & North Western Ry.__________Equip. Tr. Ctfs.
(Bids noon CDT) $3,930,000
Hammacher, Schlemmer & Co. Inc.__________Stocks
(Bids 3 p.m. EDT)
Missouri Pacific RR.__________Equip. Tr. Ctfs.
(Bids 1 p.m. EDT) $2,325,000
Potomac Electric Power Co.__________Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) 852,840 shares
Tri-Boro Finance Co., Inc.__________Debentures
(Offered to public—no underwriting) $140,000

May 28, 1953
Gray Manufacturing Co.__________Common
(Offering to stockholders—no underwriting)
Rochester Gas & Electric Corp.__________Common
(Offering to stockholders—underwritten by The First Boston Corp.) 175,000 shares
Wisconsin Central Ry.__________Equip. Trust Ctfs.
(Bids 1 p.m. EDT) $3,930,000

May 29, 1953
American National Finance Co.__________Common
(Offering to stockholders—no underwriting)

June 1, 1953
City Bank & Trust Co. of Reading, Pa.__________Common
(Offering to stockholders)
Texas Western Oil Co., Inc.__________Common
(Walter Aronheim)

June 2, 1953
Arkansas Fuel Oil Corp.__________Debentures
(Bids 11 a.m. EDT) $23,000,000
General Dynamics Corp.__________Common
(Lehman Brothers and Greenshields & Co., Inc.) 250,000 shares
Iowa Public Service Co.__________Bonds
(Bids 11 a.m. EDT) $7,500,000
Oklahoma Natural Gas Co.__________Common
(Bids 11 a.m. EDT) 235,000 shares
Texas Utilities Co.__________Common
(Bids 11 a.m. EDT)

June 3, 1953
American Automobile Insurance Co.__________Common
(Kidder, Peabody & Co.) 125,000 shares
Public Service Co. of Indiana, Inc.__________Pfd. & Com.
(Common to be offered to stockholders—underwritten by Blyth & Co. Inc.) 600,000 pfd. & 472,596 common shares

June 4, 1953
C. I. T. Financial Corp.__________Debentures
(Dillon, Read & Co. Inc.; Kuhn, Loeb & Co.; and Lehman Brothers) $50,000,000
General Public Utilities Corp.__________Common
(Offering to stockholders—no underwriting)

June 5, 1953
Edgar Brothers Co.__________Common
(Offering to stockholders—underwritten by D. A. Lomasney & Co.) 100,000 shares

June 8, 1953
Arkansas Power & Light Co.__________Bonds
(Bids noon EDT) $18,000,000
Beryllium Corp.__________Common
(Offering to stockholders—underwritten by Francis I. duPont & Co.) 88,385 shares
Consolidated Gas, Electric Light & Power Co. of Baltimore__________Bonds
(Bids noon EDT) $25,000,000
Mutual Telephone Co. (Honolulu)__________Common
(Offering to stockholders—no underwriting) 200,000 shares

June 9, 1953
American Gas & Electric Co.__________Common
(Bids 11 a.m. EDT) 800,000 shares
Decca Records, Inc.__________Common
(Offering to stockholders—underwritten by Reynolds & Co. and Laurence M. Marks & Co.) 318,625 shares
Gulf Power Co.__________Bonds
(Bids 11 a.m. EDT) $7,000,000
New Jersey Power & Light Co.__________Bonds
(Bids 11 a.m. EDT) $5,500,000
San Diego Gas & Electric Co.__________Common
(Offering to stockholders—Blyth & Co., Inc.)

June 10, 1953
General Motors Acceptance Corp.__________Debentures
(Morgan Stanley & Co.) $150,000,000
New England Electric System__________Common
(Offering to stockholders—bids noon EDT) 828,516 shares
New York, Chicago & St. Louis RR.__________Eq. Tr. Ctfs.
(Bids noon EDT) $3,150,000

June 15, 1953
Michigan Consolidated Gas Co.__________Bonds
(Bids 10:30 a.m. EST) $20,000,000
Washington Gas Light Co.__________Bonds
(Bids to be invited) $7,000,000

June 22, 1953
Rogers Corp.__________Class B
(Offering to stockholders—no underwriting

June 23, 1953
Gulf States Utilities Co.__________Common
(Bids to be invited) about $6,000,000
New York Telephone Co.__________Bonds
(Bids 11 a.m. EDT) $35,000,000
Pennsylvania Electric Co.__________Bonds
(Bids 11 a.m. EDT) $12,500,000

June 24, 1953
Gas Service Co.__________Common
(Bids to be invited) 1,500,000 shares

Aug. 3, 1953
Denver & Rio Grande Western RR.__________Equip. Trust Ctfs.
(Bids to be invited)

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Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Brooks & Perkins, Inc., Detroit, Mich.
April 22 (letter of notification) 6,475 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To underwriter, Watling, Lerchen & Co., Detroit, Mich.

Bunday's Water Co., Linesville, Pa. (5/25)
May 8 (letter of notification) $35,000 of 20-year 5% refunding mortgage bonds dated July 1, 1953. **Price**—At par (in denominations of $100 and $500). **Proceeds**—To redeem first mortgage bonds, to repay bills payable and for capital improvements. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

★ **Cal-Ore Veneer, Inc., Portland, Ore.**
May 13 (letter of notification) 400 shares of common stock (par $100) and $80,000 of 5-year 6% unsecured debenture bonds to be offered in units of a $1,600 bond and four shares of stock. **Price**—$2,000 per unit. **Proceeds**—For expansion and working capital. **Business**—Operates a green veneer peeler plant in Crescent City, Calif. **Office**—800 Pacific Bldg., Portland 4, Ore. (moving to Crescent City, Calif.). **Underwriter**—None.

Carolina Casualty Insurance Co., Burlington, N. C.
April 29 (letter of notification) 103,506 shares of class B non-voting common stock (par $1) being offered to stockholders of record April 17 at rate of one new share for each five shares held; rights to expire July 17. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—None.

Central City Milling & Mining Corp.
March 4 (letter of notification) 1,800,000 shares of common stocks. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

★ **Cheney Brothers, Manchester, Conn.**
May 8 (letter of notification) 23,872 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each ten now held. **Price**—$11 per share. **Proceeds**—For working capital. **Office**—Hartford Road, Manchester, Conn. **Business**—Manufactures and sells textiles. **Underwriter**—None.

Chicago Bridge & Iron Co.
May 11 (letter of notification) 6,112 shares of common stock (par $20) to be offered for subscription of employees. **Price**—$49.08 per share. **Proceeds**—For general corporate purposes. **Offices**—1305 West 105th St., Chicago, Ill. **Underwriter**—None.

★ **C.I.T. Financial Corp., New York (6/4)**
May 15 filed $50,000,000 of debentures. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Dillon, Read & Co. Inc.; Kuhn, Loeb & Co.; and Lehman Brothers; all of New York.

Code Products Corp., Philadelphia, Pa.
April 20 filed (amendment) 500,000 shares of 6% cumulative preferred stock (par $1) and 250,000 shares of common stock (no par) to be offered in units of two shares of preferred stock and one share of common stock. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Frank M. Cryan & Co., New York. Statement effective about Feb. 13.

● **Consolidated Gas, Electric Light & Power Co. Of Baltimore (6/8)**
May 8 filed $25,000,000 of first refunding mortgage bonds, series Y, due June 1, 1983. **Proceeds**—To finance expansion program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly). **Bids**—Expected to be received up to noon (EDT) on June 8 at company's office in Baltimore, Md.

Consolidated Natural Gas Co. (5/26)
April 17 filed $40,000,000 of debentures due 1978 (subsequently reduced to $25,000,000 principal amount). **Proceeds**—To purchase securities of operating subsidiaries to finance their construction expenditures, estimated at $49,000,000 for 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on May 26 at 30 Rockefeller Plaza, New York 20, N. Y.

Cooperative Grange League Federation Exchange, Inc.
Feb. 13 filed 50,000 shares of 4% cumulative preferred stock (par $100) and 700,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—For working capital. **Business**—Production of dairy and poultry feeds. **Office**—Ithaca, N. Y. **Underwriter**—None.

Dakota-Montana Oil Leaseholds, Inc., N. Y.
May 1 (letter of notification) 300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—535 Fifth Ave., New York, N. Y. **Underwriter**—Weber, Millican Co., New York.

★ **Decca Records, Inc. (6/9)**
May 19 filed 318,625 shares of capital stock (par 50 cents), to be offered for subscription by stockholders of record June 9 at rate of one new share for each 3¼ shares held; rights to expire on June 25. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York.

★ **Derby Gas & Electric Corp.**
May 14 filed 47,039 shares of common stock (no par), to be offered for subscription by common stockholders on a basis of one new share for each six shares held; unsubscribed stock to be offered to officers and employees. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—To be named later. White, Weld & Co. underwrote common stock financing in 1951; Allen & Co. in 1949.

★ **Edgar Brothers Co., Metuchen, N. J. (6/5)**
May 15 filed 100,000 shares of common stock (par $1) to be offered for subscription by stockholders at rate of two-thirds of a share for each share held; not more than 5,000 unsubscribed shares to be offered to certain employees. Stockholders have waived rights to purchase 58,600 shares. **Price**—To stockholders and employees, $7.45 per share; and to public, $8.50 per share. **Proceeds**—To repay $279,500 term loan debt and for working capital. **Underwriter**—D. A. Lomasney & Co., New York.

Electronic Associates, Inc.
May 11 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by stockholders of record June 1 on a 1-for-10 basis; rights to expire July 1. **Price** — $15 per share. **Proceeds** — For working capital. **Office** — Long Branch Ave., Long Branch, N. J. **Underwriter**—None.

Fairway Foods, Inc., St. Paul, Minn.
May 8 filed $1,600,000 first mortgage lien 4½% bonds to mature $40,000 annually from 1955 to 1994, inclusive. **Price**—At 100% of principal amount. **Proceeds**—To construct new warehouse. **Underwriter**—None.

● **Federal Loan Co. of Pittsfield, Inc.**
May 8 (letter of notification) 19,638 shares of 7% cumulative convertible preferred stock (par $11) and 19,638 shares of common stock (par $1) being offered first to holders of participating preferred stock of record May 15, in units of one preferred and one common share; rights to expire on June 10. **Price**—$15 per unit ($15.50 to public). **Proceeds**—For working capital. **Underwriters**—Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y., and Chace, Whiteside, West & Winslow, Inc., Boston, Mass.

Financial Credit Corp., New York (5/22)
May 8 (letter of notification) 150,000 shares of 7% cumulative preferred stock. **Price** — At par ($2 per share). **Proceeds** — For working capital. **Underwriter** — E. J. Fountain & Co., Inc., New York, N. Y.

★ **Fischer's Flavor Seal, Inc., Spokane, Wash.**
May 19 (letter of notification) 4,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes a formula for processing fresh meat. **Office**—726 Paulsen Bldg., Spokane, Wash. **Underwriter**—R. L. Emacio & Co., Inc., Spokane, Wash.

● **General Contract Corp.**
April 17 filed 500,000 shares of 6% preferred stock (par $10) being offered for subscription by common stockholders at rate of one share for each 3.3 common shares held as of May 4, right to expire May 27. Unsubscribed shares to be offered in exchange for series A preferred stock (with a cash adjustment). **Price**—$11 per share. **Proceeds**—To redeem series A preferred shares outstanding, to repay loans and for working capital. **Underwriter**—G. H. Walker & Co., New York and St. Louis.

General Dynamics Corp. (6/2)
May 12 filed 250,000 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans made to acquire a block of 400,000 shares of Consolidated Vultee Aircraft Corp. **Underwriter**—Lehman Brothers, New York, to handle U. S. sales of shares, while Greenshields & Co., Inc., will handle Canadian distribution of a portion of the offering.

★ **General Motors Acceptance Corp. (6/10)**
May 20 filed $150,000,000 of five-year debentures due July 1, 1958. **Price** — To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Morgan Stanley & Co., New York.

General Public Utilities Corp. (6/4)
May 6 filed 568,665 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 2 at the rate of one new share for each 15 shares held; rights to expire on June 24. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for investments in subsidiaries. **Underwriter**—None. Merrill Lynch, Pierce, Fenner & Beane will act as clearing agent.

★ **Goldenberg Co., Washington, D. C.**
May 12 (letter of notification) 35,000 shares of class A common stock (par $1). **Price**—$3.37½ per share. **Proceeds** — To retire debt. **Underwriter** — Ferris & Co., Washington, D. C.

Government Employees Corp. (5/26)
May 1 (letter of notification) 12,000 shares of common stock (par $5) to be offered to common stockholders of record April 28 on the basis of one new share for each five shares held; rights to expire on June 24. Subscription warrants are to be issued on May 26. **Price**—$15 per share. **Proceeds**—For working capital. **Office**—Government Employees Insurance Bldg., 14th and L Sts., N. W., Washington, D. C. **Underwriter**—None.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

★ **Grants Pass Plywood Inc., Portland, Ore.**
May 13 (letter of notification) $100,000 of five-year 6% unsecured registered debenture bonds and 500 shares of common stock (par $100) to be offered in units of a $2,000 bond and five shares of stock. **Price**—$2,500 per unit. **Proceeds** — For expansion. **Office** — 800 Pacific Bldg., Portland 4, Ore. (moving to Grants Pass, Ore.). **Underwriter**—None.

Gray Manufacturing Co., Hartford, Conn. (5/28)
May 1 filed 55,313 shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each four shares held as of May 28; rights to expire about June 17. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ **Greater Muskegon Industrial Fund, Inc.**
May 12 (letter of notification) $250,000 of 3% debentures. **Price**—At par (in denominations of $50, $100, $500 and $1,000). **Proceeds**—To make a loan to Continental Aviation & Engineering Corp. **Business**—Non-profit organization which makes loans to encourage industries to locate in Greater Muskegon area. **Office**—8-12 West Walton Avenue, Muskegon, Mich. **Underwriter**—None.

Gulf Power Co. (6/9)
May 8 filed $7,000,000 first mortgage bonds due 1983. **Proceeds**—To repay $4,000,000 of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 9.

Hydrocap Eastern, Inc., Philadelphia, Pa.
April 27 filed 500,000 shares of common stock, of which underwriters have agreed to purchase 100,000 shares for public sale and to use "best efforts" to sell remaining shares. **Price**—At par ($1 per share). **Proceeds**—To establish assembly plant and acquire raw materials. **Underwriter**—Barham & Co., Coral Gables, Fla.

Interstate Fire & Casualty Co., Bloomington, Ill.
March 26 filed 28,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record April 1 at the rate of 1 3/11 shares for each share held. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Iowa Public Service Co. (6/2)
May 1 filed $7,500,000 of first mortgage bonds due June 1, 1983. **Proceeds** — To repay $1,000,000 bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Bear, Stearns & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 2 at 61 Broadway, New York 6, N. Y.

Israel Investors, Inc., New York
April 24 filed 86,960 shares of common stock (no par) to be sold in units of 10 shares each. **Price**—$1,150 per unit payable in cash or no more than $1,000 in State of Israel Independence Issue bonds and the balance in cash. **Proceeds**—To aid economic development of Israel. **Underwriter**—None.

★ **Jewell Oil & Gas Corp., Los Angeles, Calif. (5/26)**
May 11 (letter of notification) 299,975 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For drilling expenses and working capital. **Underwriter**—East Coast Securities Corp., New York.

Lone Star Gas Co.
April 22 filed 183,300 shares of 4¾% cumul. convertible preferred stock being offered to common stockholders of record May 13 at the rate of one preferred share for each 30 shares of common stock held; rights to expire May 27. **Price**—At par ($100 per share). **Proceeds**—For working capital and for additions and improvements to property. **Underwriter** — The First Boston Corp., New York.

Lone Star Sulphur Corp., Wilmington, Del.
May 8 filed 600,000 shares of common stock (par 5 cents) to be offered for subscription by common stockholders of record May 8 on a share-for-share basis "as a speculation." **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—None.

Manheim Water Co., Manheim, Pa.
May 5 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record April 14, on basis of two-thirds of a share for each share held; rights to expire on May 26. **Price**—At par ($25 per share). **Proceeds**—To pay, in part, cost of new water filtration plant. **Underwriter**—None.

Marathon Corp., Menasha, Wis.
March 20 filed 614,872 shares of common stock (par $6.25) being offered in exchange for stock of Northern Paper Mills on the basis of six shares for each share of Northern common stock and five shares for each share of Northern preferred stock. Offer will expire on May 22. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

Mechanical Handling Systems, Inc.
March 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase common stock of The Louden Machinery Co. **Business**—Manufacture and sale of conveyors in industrial and commercial applications. **Office**—Detroit, Mich. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Indefinitely postponed.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

★ **Michigan Consolidated Gas Co. (6/15)**
May 15 filed $20,000,000 of first mortgage bonds due 1978. **Proceeds**—From sale of bonds, plus proceeds from sale of 215,000 shares of common stock (par $14) to American Natural Gas Co., parent, for $3,010,000, to be used to repay bank loans and for construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc., and Union Securities Corp. (jointly). **Bids**—Expected to be received up to 10:30 a.m. (EST) on June 15 at 415 Clifford St., Detroit, Mich.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ **Moore (William S.), Inc., Newark, O.**
May 12 (letter of notification) 52,867 shares of common stock (par $1). **Price** — $5.50 per share. **Proceeds** — To retire 6% convertible debentures. **Business**—Retail store. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio.

Mount Holly (N. J.) Water Co.
April 14 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders of record April 29 at rate of one new share for each share held (with an oversubscription privilege); rights to expire May 29. **Price**—$22 per share. **Proceeds**—To repay bank loans, etc. and for capital additions. **Underwriter**—None.

★ **Multnomah Plywood Corp., Portland, Ore.**
May 13 (letter of notification) $262,500 of 10-year 2½% debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—1500 S. W. Harbor Drive, Portland, Ore. **Underwriter**—None.

★ **Mutual Telephone Co., Honolulu (6/8)**
May 18 filed 200,000 shares of common stock to be offered for subscription by common stockholders of record June 1, 1953. **Price**—At par ($10 per share). **Proceeds**—For expansion costs. **Underwriter**—None.

★ **Nation-Wide Securities Co., Inc., N. Y.**
May 14 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

National Credit Card, Inc., Portland, Ore.
May 11 (letter of notification) 1,400 shares of 6% noncumulative preferred stock (par $100) and 1,400 shares of common stock (no par) to be sold in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds** — For working capital. **Business**—Credit service. **Office**—Times Building, Portland 4, Ore. **Underwriter**—None.

★ **Naval Officers Realty Corp., San Francisco, Calif.**
May 18 (letter of notification) 7,162 shares of common stock (no par), under a recission offer. **Price**—$25 per share. **Business**—Operates income producing real estate. **Office**—233 Pacific Bldg., San Francisco, Calif. **Underwriter**—None.

New England Electric System (6/10)
May 4 filed 828,516 additional shares of common stock (par $1) to be offered for subscription by common stockholders of record June 11 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on or about June 25. Warrants are expected to be mailed on June 11. **Price**—To be set by company on June 8. **Proceeds**—For expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to noon (EDT) on June 10 at 441 Stuart St., Boston 16, Mass.

New Jersey Power & Light Co. (6/9)
May 7 filed $5,500,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp. and White, Weld & Co. (jointly); The First Boston Corp. and Kidder, Peabody & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 9.

North American Peat Moss Co., Inc. (N. Y.)
April 10 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — To purchase equipment and for working capital. **Underwriter**—R. A. Keppler & Co., Inc., New York.

★ **Northern Natural Gas Co.**
May 7 filed $40,000,000 sinking fund debentures due 1973. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received early in June.

Northlands Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York. Financing may be revised.

Noryn Mines Ltd., Hull, Quebec, Canada
April 23 filed 500,000 shares of common stock (par $1). **Price**—50 cents per share. **Proceeds**—To repay loans and for other corporate purposes. **Underwriter**—None.

Oklahoma Natural Gas Co. (6/2)
May 7 filed 235,000 shares of common stock (par $7.50). **Proceeds**—To repay, in part, bank loans aggregating $6,000,000 incurred in connection with the company's construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Shields & Co.; Lehman Brothers and Harriman Ripley & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 2 at 90 Broad St., New York, N. Y.

Palestine Economic Corp., New York
March 6 filed 100,000 shares of common stock (par $25). **Price**—$28 per share. **Proceeds** — For development of Israel industry, etc., and for working capital. **Underwriter**—None.

Pennant Drilling Co., Inc., Denver, Colo.
March 23 (letter of notification) 42,507 shares of common stock (par $1). **Price**—$1.30 per share. **Proceeds**—To Morris Replin, the selling stockholder. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Pennsylvania Power & Light Co.
May 1 filed 743,496 shares of common stock (no par), 21,752 shares of 4.40% preferred stock (par $100), 53,248 shares of 3.35% preferred stock (par $100) and 39,936 shares of 4½% preferred stock (par $100) to be offered in exchange for all the outstanding stock of Scranton Electric Co. **Underwriter**—None.

Peruvian Oil Concessions Co., Inc. (5/25)
Jan. 16 filed 9,000,000 shares of common stock (par $1) (amended April 24 to 1,000,000 shares). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—B. G. Phillips & Co., New York.

Philadelphia Electric Co. (6/2)
April 10 filed 100,000 shares of common stock (no par) to be offered for subscription by employees of company and its subsidiaries. **Price**—From 85% to 95% of the then current market price. **Proceeds**—For construction program. **Underwriter**—None.

• **Phillips Petroleum Co. (5/26)**
May 4 filed approximately $162,098,500 of 30-year sinking fund debentures due June 1, 1983 (convertible into common stock for 10 years), to be offered for subscription by common stockholders at rate of $100 of debentures for each nine shares of stock held of record May 26; rights to expire on June 9. **Price**—To be supplied by amendment. **Proceeds**—To repay approximately $113,000,000 of bank debt and for capital expenditures and other corporate purposes. **Underwriter**—The First Boston Corp., New York.

★ **Plywood & Veneer Sales Co., Portland, Ore.**
May 13 (letter of notification) $20,000 of five-year 6% unsecured registered debenture bonds and 100 shares of common stock (par $100) to be offered in units of a $400 bond and one share of stock. **Price**—500 per unit. **Proceeds**—For working capital. **Office**—800 Pacific Bldg., Portland, Ore. (moving to Grants Pass, Ore.). **Underwriter**—None.

★ **Point of View, Inc., Brooklyn, N. Y.**
May 14 (letter of notification) 200,000 shares of class A stock. **Price**—At par (25 cents per share). **Proceeds**—To produce parking meter frames, for additional machinery and working capital. **Business** — Manufactures and sells parking meters. **Office**—95 Atlantic Avenue, Brooklyn 1, N. Y. **Underwriter**—None.

• **Potomac Electric Power Co. (5/25)**
April 30 filed $10,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EDT) on May 25 at company's office.

Potomac Electric Power Co. (5/27)
April 30 filed 852,840 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each five shares held of record May 27; rights to expire on June 10. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Dillon, Read & Co., Inc., New York; and Johnston, Lemon & Co., Washington, D. C.

• **Public Service Co. of Indiana, Inc. (6/3)**
May 13 filed 600,000 shares of cumulative preferred stock (par $25) and 472,596 shares of common stock (no par), the latter to be offered for subscription by common stockholders of record June 2 on a 1-for-8 basis; rights to expire on June 17. **Price**—To be supplied by amendment. **Proceeds**—For construction costs. **Underwriters**—Blyth & Co., Inc., New York and San Francisco.

Rochester Gas & Electric Corp. (5/28)
May 8 filed 175,000 shares of common stock (no par) to be offered for subscription by common stockholders of record May 28 at the rate of one new share for each seven shares held. Rights will expire on June 12. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

★ **Rockhill Productions, Inc. (5/26)**
May 12 (letter of notification) 149,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—18 East 50th Street, New York 22, N. Y. **Business**—Producer of package television and radio shows. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Rogers Corp., Manchester, Conn. (6/22)
May 11 (letter of notification) 10,909 shares of class B common stock to be offered for subscription by holders of class B stock at rate of one new share for each two shares held on June 22. **Price**—$20 per share. **Proceeds**—To retire $100,000 bank loan and for working capital. **Business**—Manufacture of plastic materials. **Underwriter**—None.

Saint Anne's Oil Production Co.
April 23 filed 270,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris and H. M. Byllesby & Co., Inc., both of Chicago, Ill. **Offering**—Expected early in June.

Savage Industries, Inc., Phoenix, Ariz.
May 11 (letter of notification) 19,100 shares of cumulative convertible preferred stock (par $1). **Price**—$10 per share. **Proceeds**—To repay debt and for operating capital. **Office**—415 S. Seventh St., Phoenix, Ariz. **Business**—Welding equipment distributor. **Underwriters**—Hannaford & Talbot and Pacific Coast Securities Co., both of San Francisco, Calif.

• **Schlafly Nolan Oil Co., Inc.**
March 25 filed 150,000 shares of common stock (par 25 cents). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholdes, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter** — L. H. Rothchild & Co., New York. **Offering** — Indefinitely postponed.

★ **Selected American Shares, Inc., Chicago, Ill.**
May 18 filed 350,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Selevision, Inc. (Del.)**
May 14 (letter of notification) 235,000 shares of convertible class A stock (par $1). **Price**—$1.25 per share. **Proceeds**—To establish, equip and operate ten Selevision auction offices for three months. **Underwriter**—Whitney, Phoenix Co., Inc., New York.

★ **Skiatron Electronics & Television Corp.**
May 13 (letter of notification) 10,000 shares of common stock (par 10 cents). **Price**—At market (about $2 to $2.37½ per share), to net company $1.90 per share. **Proceeds** — To carry on the public demonstration of "Subscriber-Vision." **Underwriter**—Wright, Wood & Co., Philadelphia, Pa.

★ **Small Investors Real Estate Plan, Inc.**
May 14 (letter of notification) $35,000 of units of co-ownership (in denominations of $500 each). **Price**—At principal amount. **Proceeds**—To acquire title to apartment house and to pay certain expenses, etc. **Office**—157 West 42nd Street, New York, N. Y. **Underwriter**—None.

Soil-Tone Corp., Plymouth, N. C.
March 27 (letter of notification) $150,000 of 6% contingent interest debentures due 1968 (convertible at any time at rate of 500 shares of common stock for each $1,000 debenture); and 150,000 shares of common stock (par $1). **Price**—At par or principal amount. **Proceeds**—To enlarge plant. **Underwriters**—McGinnis & Co., New York, and Stein Bros. & Boyce, Baltimore, Md.

Southern Bell Telephone & Telegraph Co.
April 9 filed $30,000,000 of 24-year debentures due May 1, 1977. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. **Bids**—Received on May 5 but rejected.

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• Southern Natural Gas Co.
April 20 filed $34,220,100 of 4½% convertible sinking fund debentures due 1973 being offered for subscription by common stockholders of record May 20 at rate of $100 of debentures for each 10 shares of stock held; rights to expire on June 8. **Price**—At par (flat). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Halsey, Stuart & Co. Inc.

Sun Oil Co., Philadelphia, Pa.
April 27 filed 14,000 memberships in the "Employees' Stock Purchase Plan of Sun Oil Co. and Subsidiaries" and 122,700 shares of common stock (no par) to be reserved for sale to trustees of the plan during July, 1953; also 139,762 additional shares of common stock "for possible public sale by selling stockholders during the period of July 1, 1953 to June 30, 1954." **Underwriter**—None.

Texas Eastern Production Corp.
April 24 filed 1,833,009 shares of common stock (par $5) being offered for subscription by common stockholders of Texas Eastern Transmission Corp. (parent) of record May 8, 1953 at rate of one share of Production common for each three shares of Transmission common stock held; rights to expire on May 27. **Price**—$10 per share. Unsubscribed shares to be purchased by parent company. **Proceeds**—To repay a $10,000,000 loan obtained or to be obtained to finance the purchase of $9,000,000 of properties in the so-called West Hamshire Field in Texas and the balance will be used to provide additional working capital. **Dealer-Manager**—Dillon, Read & Co., Inc., New York.

Texas Illinois Natural Gas Pipeline Co.
May 6 filed 927,273 shares of common stock (par $1) to be offered for subscription by common stockholders. **Price**—To be supplied by amendment. **Proceeds**—For new construction and working capital. **Underwriter**—None. Peoples Gas Light & Coke Co., has agreed to take all unsubscribed stock.

• Texas Industries, Inc., Dallas, Tex. (5/22)
April 30 filed $3,500,000 of 15-year 6% sinking fund debentures (with five-year warrants to buy 175,000 shares of common stock attached), due May 15, 1968. **Price**—At 100% and accrued interest. **Proceeds**—To buy stock of three companies, to purchase bonds of one of these companies, to acquire assets of two companies, to redeem bank loans and 6% convertible debentures and for general corporate purposes. **Underwriters**—Rauscher, Pierce & Co., Dallas, Tex.; A. C. Allyn & Co., Inc., Chicago, Ill.; and Russ & Co., San Antonio, Tex.

Texas Utilities Co. (6/2)
April 30 filed 350,000 shares of common stock (no par). **Proceeds** — To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., First Southwest Co., Rauscher, Pierce & Co., Inc. and Dallas Union Trust Co. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co., Inc. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 2 at Two Rector St., New York, N. Y.

• Texas Western Oil Co. (6/1)
March 24 (letter of notification) 250,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To drill wells. **Office** — 116A City National Bank Bldg., Houston, Texas. **Underwriter** — Walter Aronheim, 82 Beaver St., New York.

Three States Natural Gas Co. (5/26-27)
May 6 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank debt and for general corporate purposes. **Office** — Dallas, Tex. **Underwriter** — Lehman Brothers, New York.

★ Thru-Vu Vertical Blind Corp., Rye, N. Y.
May 13 (letter of notification) 80 shares of capital stock (no par) and $32,000 of unsecured debenture bonds due 1963. **Price**—At $100 per share for stock and at par for bonds (latter in denominations of $400 and up). **Proceeds**—To buy tools and for working capital. **Office**—Kirby Lane North, Rye, N. Y. **Underwriter**—None.

★ Thunderbird Shirt Sales, Inc., Prescott, Ariz.
May 18 (letter of notification) $50,000 of five-year 6% debenture notes (in units of $100 each) and 250 shares of common stock (par $100) to be offered in units of $200 of notes and one share of stock. **Price**—$300 per unit. **Proceeds**—To pay off debt and for operating capital. **Underwriter**—None.

• Tri-Boro Finance Co., Inc. (5/27)
May 12 (letter of notification) $140,000 principal amount of 7% subordinate debentures. **Price**—At par (in units of $100 each). **Proceeds**—For working capital. **Office**—11 S. Washington St., No. Attleboro, Mass. **Underwriter**—None.

★ Triad Transformer Corp., Los Angeles, Calif.
May 13 (letter of notification) 10,060 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital. **Business**—Manufacturer and distributor of electrical equipment. **Office**—4055 Redwood Avenue, Los Angeles, Calif. **Underwriter**—None.

Union Carbide & Carbon Corp., New York
May 5 filed 417,717 shares of capital stock (no par) to be offered to certain officers and employees of the company under its stock purchase plan.

United Mining & Leasing Corp.
Central City, Colo.
May 4 (letter of notification) 115,000 shares of common stock. Price—At par (10 cents per share). **Proceeds**—For mining equipment. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

★ Uranium Mines of America, Inc.
May 14 (letter of notification) 1,950,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To pay debt and for working capital. **Office**—307 Darling Bldg., Salt Lake City. Utah. **Former Name**—California Tungsten Corp. **Underwriter**—Tellier & Co., New York.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriter**—Sidney S. Walcott, President of company, Buffalo, N. Y.

★ Waltham Watch Co., Waltham, Mass.
May 15 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (estimated to be about $1.87½ per share). **Proceeds** — To Fulton, Walter & Hailey and David I. Shivitz. **Underwriter**—None.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

Western Homestead Oils, Ltd.,
Calgary, Alta, Canada
April 24 filed 1,000,000 shares of capital stock (par 10 cents). **Price**—$1.30 per share for first 400,000 shares. **Proceeds**—For general corporate purposes. **Underwriter**—Owen Investors Ltd., of Toronto, Canada, through E. H. Pooler & Co., also of Toronto.

★ Western Light & Telephone Co., Inc.,
May 18 filed 78,202 shares of cumulative convertible preferred stock (par $25) to be offered for subscription by common stockholders on the basis of one new share for each five common shares held. **Price**—To be supplied by amendment. **Proceeds**—From sale of preferred stock, together with funds to be received from sale of $3,000,000 first mortgage bonds, to reduce bank loans and for new construction. **Underwriter**—Harris, Hall & Co., Inc., Chicago, Ill.

Western Safflower Corp.
April 9 (letter of notification) 240,000 shares of common stock (par 25 cents). **Price**—$1.25 per share. **Proceeds**—To construct plant. **Office**—First National Bank Bldg., Colorado Springs, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

• Weston Electrical Instrument Corp.
April 30 filed 107,055 shares of common stock (par $12.50) being offered to common stockholders of record May 19 on the basis of one new share for each three shares held; rights to expire on June 2. **Price**—$18 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Prospective Offerings

Allis-Chalmers Mfg. Co.
May 6 stockholders approved a proposal to increase the authorized common stock from 3,750,000 shares (no par) to 5,000,000 shares (par $20). It is not presently planned to issue any of the additional stock. **Underwriter**—Previous financing was handled by Blyth & Co., Inc.

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders. Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Bangor & Aroostook RR. (5/25)
Bids will be received by the RFC at Room 1157, 811 Vermont Ave., N. W., Washington, D. C., prior to 5:30 p.m. (EDT) on May 25 for the purchase from it of $1,675,000 of collateral trust 4% bonds due July 1, 1961. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.

★ Blue Crown Petroleum Co., Ltd.
May 12 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—95 cents per share. **Underwriters**—Van Alstyne, Noel & Co., New York, and Walston & Co., San Francisco, Calif. **Offering**—Expected in June.

Boston Edison Co., Boston, Mass.
April 27 it was announced stockholders will vote June 2 on approving a proposal to offer 246,866 shares of capital stock (par $25) to stockholders on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Proceeds** — For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Smith, Barney & Co.; Harriman Ripley & Co., Inc.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

• Central Foundry Co.
March 16 directors voted to offer rights to present preferred and common stockholders to subscribe for additional common stock in the ratio of one share of common stock for each four shares of either common or preferred stock held, but on May 19 the board concluded that no such offering will be made at this time.

Central Hudson Gas & Electric Corp.
March 3 it was announced that some portion of the company's financing program for 1953-1954 will involve the sale of $16,550,000 new securities, a portion of which will involve common stock or debt securities convertible into common stock. Stockholders at the annual meeting March 24 voted to authorize an additional 1,000,000 shares of common stock. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. handled offering in November, 1949, of $6,000,000 2% convertible debentures.

Central Illinois Public Service Co.
March 26 it was reported that the company may about mid-July sell about $6,000,000 additional common stock (first to common stockholders). **Underwriter**—The First Boston Corp., New York.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Chesapeake & Potomac Telephone Co. of Baltimore
May 1 company petitioned the Maryland P. S. Commission for authority to issue and sell $15,000,000 of debentures. **Proceeds**—From sale of debentures, plus $25,000,000 to be received from sale of common stock to American Telephone & Telegraph Co., parent, for repayment of loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; The First Boston Corp.; Harriman Ripley Co. Inc. and Alex. Brown & Son (jointly). **Bids**—Expected to be received in July.

Chicago & North Western Ry. (5/27)
Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CDT) on May 27 for the purchase from it of $3,930,000 equipment trust certificates to be dated June 15, 1953 and to mature in 15

equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Chicago, St. Paul, Minneapolis & Omaha Ry.
May 19 company applied to the ICC for authority to issue and sell $1,170,000 equipment trust certificates to mature in 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.

Cincinnati Gas & Electric Co.
March 31 it was revealed the company plans to raise $35,000,000 through sale of new securities (mostly bonds). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); W. C. Langley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Previous equity financing was underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Postponed.

City Bank & Trust Co. of Reading, Pa. (6/1)
May 6, J. D. Heckman, President, announced that shareholders of record May 15 will have warrants mailed to them on or about June 1 entitling them to subscribe on or before July 15 for 15,000 additional shares of capital stock (par $10) on the basis of one new share for each two shares held. No fractional shares will be issued. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Delaware Power & Light Co.
April 21 stockholders approved a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Denver & Rio Grande Western RR. (8/3)
Bids are expected to be received by the company on or about Aug. 3 for the purchase from it of $3,300,000 equipment trust certificates due semi-annually from Nov. 1, 1953, to May 1, 1968, inclusive, and on or about Oct. 1 of a like amount of said certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debenures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

El Paso Natural Gas Co.
March 25 it was announced company plans to place privately $120,000,000 of first mortgage bonds and sell publicly 200,000 shares of preferred stock and $25,000,000 debentures. **Underwriter**—White, Weld & Co., N. Y.

★ First Railroad & Banking Co. of Georgia
May 4 it was announced that this new company will offer stockholders of Georgia Railroad & Banking Co. in exchange for each share held, one share of the new company's stock, the right to subscribe within 30 days for 13 additional shares at $4.10 per share and a $250 collateral trust 5% bond due May 1, 1990; the offer to become effective upon acceptance by 95% of the outstanding stock. An additional 210,000 of the new shares would be purchased by the underwriters, plus any of the unsubscribed shares. **Proceeds**—To retire $2,190,000 of Georgia Railroad & Banking Co. debentures held by an insurance firm. **Underwriters**—Johnson, Lane, Space & Co. and Joseph Walker & Sons.

● Gas Service Co. (6/24)
May 12, B. C. Adams, President, said that Cities Service Co., parent, plans to sell its holdings in Gas Service Co., which will shortly be increased to 1,500,000 from 850,000 shares by transfer of surplus to capital account. **Proceeds**—To be used by Cities Service Co. to increase investment in Empire Gas & Fuel Co., another subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly). **Registration**—Expected to be filed about May 25. **Bids**—Tentatively planned for about June 24.

General Telephone Co. of Kentucky
April 27 it was reported early registration is expected of 50,000 shares of cumulative preferred stock (par $50). **Underwriters** — Probably Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Greenwich Gas Co.
May 7 the Connecticut P. U. Commission authorized company to issue and sell $200,000 of first mortgage bonds and $483,000 par value of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putman & Co., Boston, Mass.

● Gulf Interstate Gas Co., Houston, Tex.
May 11 it was reported that company may offer for subscription to stockholders of Panhandle Eastern Pipe Line Co. a total of $35,000,000 in equity securities (probably in units of preferred and common stock). **Proceeds**—For new construction. **Underwriter**—May be Carl M. Loeb, Rhoades & Co., New York.

★ Gulf State Utilities Co. (6/23)
May 13 it was reported company plans sale of sufficient common stock to raise about $6,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. **Bids**—Tentatively expected about June 23.

Hammacher, Schlemmer & Co., Inc. (5/27)
Bids will be received by the Attorney General of the United States at the office of Alien Property, 346 Broadway, New York 13, N. Y., up to 3 p.m. (EDT) on May 27 for the purchase from the Attorney General of 1,760 shares of capital stock (including 660 shares of $7 prior stock, no par value; 660 shares of $7 preferred stock, no par value; and 440 shares of common stock, no par value). This represents about 15% of the outstanding stock of the company. All bids submitted on June 26, 1952 had been rejected.

★ Industrial National Bank of Detroit
May 15 it was announced bank plans to offer to its stockholders 25,000 additional shares of capital stock (par $10) on a 1-for-8 basis. **Price**—$30 per share. **Meeting**—Stockholders will vote May 29 on increasing authorized capitalization.

Iowa Electric Light & Power Co.
April 13 it was reported company may sell in June some common and preferred stock and/or debentures. **Underwriters** — For stock: The First Boston Corp. and G. H. Walker & Co., both of New York. Previous debt financing was done privately.

★ Kansas-Nebraska Natural Gas Co., Inc.
May 12 it was reported company may issue and sell about $4,750,000 first mortgage bonds. **Proceeds**—To repay $800,000 bank loans and for new construction. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Kansas Power & Light Co.
May 6, D. E. Ackers, President, announced that company plans to market soon about $8,000,000 of equity securities (probably around $5,000,000 of preferred stock and 170,000 shares of common stock). **Proceeds**—To help pay for new construction. **Underwriters**—The First Boston Corp. handled last common stock financing. Previous preferred stock financing was done privately.

Long Island Lighting Co.
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, offered publicly on May 7). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
March 20 it was announced company may issue and sell in June $12,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

Mississippi Power & Light Co.
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Power & Light Co.'s $6 preferred stock (no par), of which 44,476 shares are now outstanding, may be considered. This issue is callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Equitable Securities Corp. (jointly; W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

● Missouri Pacific RR. (5/27)
Bids will be received by the company up to 1 p.m. (EDT) on May 27 for the purchase from it of $2,325,000 equipment trust certificates to mature annually June 15, 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Monongahela Power Co.
Dec 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

Montana-Dakota Utilities Co.
May 2 it was announced company plans to issue and sell in 1953 approximately $8,000,000 of first mortgage bonds. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

Monterey Oil Co.
May 1 it was reported company may, following 10-for-1 split, register in June from $1,000,000 to $3,000,000 common stock which may include some stock for account of selling stockholders. **Price**—Expected to be around $30 per share. **Underwriter**—Lehman Brothers, New York.

★ New York, Chicago & St. Louis RR. (6/10)
Bids are expected to be received by the company up to noon (EDT) on June 10 for the purchase from it of $3,150,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler.

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100 in February and $5,000,000 of 3¾% debentures due 1991 in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

New York Telephone Co. (6/23)
Feb. 26 company applied to New York P. S. Commission for permission to issue and sell $35,000,000 of refunding mortgage bonds, series G due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on June 23. **Registration**—Expected about May 22. **Stock Offering**—Company also plans to issue and sell to American Telephone & Telegraph Co., its parent, 700,000 additional shares of common stock (par $100).

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque. N. M.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Pennsylvania Electric Co. (6/23)
April 1 it was reported company plans to issue and sell in June about $12,500,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; The First Boston Corp.; Equitable Securities Corp. **Bids**—Tentatively set for 11 a.m. (EDT) on June 23. **Registration**—Expected soon.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Financing may be done privately. **Underwriters** — Stone & Webster Securities Corp. and Glore, Forgan & Co., both of New York. Of

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the stock of this company, 51% is now owned by Northern Natural Gas Co.

Public Service Co. of Oklahoma
March 2 it was reported company may issue and sell 40,000 shares of new preferred stock (par $100). **Underwriters** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and Central Republic Co. (Inc.). **Proceeds**—For additions and improvements.

Public Service Electric & Gas Co.
Feb. 25 it was announced company plans issuance and sale in June of $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.

Remington Corp., Auburn, N. Y.
April 14, Herbert L. Laube, President, following approval of the increase and split-up of common and preferred stock, stated that the increased capitalization is necessary because the profit left after today's taxes is far from enough to finance this corporation's continued growth. The common was increased from 50,000 shares, par $5, to 1,000,000 shares, par $1, and split-up on a 5-for-1 basis, and the preferred stock increased from 2,500 shares, par $25, to 50,000 shares, par $10, and split-up on a 2½-for-1 basis.

Rochester Gas & Electric Corp.
May 8 company announced that, in addition to the proceeds from the sale about May 28 of 175,000 shares of new common stock to stockholders (registered May 8 with the SEC), approximately $27,000,000 will be required from additional financing in the future in connection with its $35,300,000 construction program planned for 1953 and 1954.

★ San Diego Gas & Electric Co. (6/9)
May 18 company applied to the California P. U. Commission for authority to issue and sell first to its common stockholders of record June 9 a total of 800,000 additional shares of common stock on a one-for-three basis. Any unsubscribed shares will be offered to officers and employees. **Proceeds**—To retire $5,600,000 of bank loans and to help take care of $17,550,000 construction program for 1953. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

● Shield Chemical Corp., Verona, N. J.
March 26 it was reported company plans to issue and sell about $300,000 of common stock. **Proceeds**—For working capital. **Underwriter**—Miller Securities Co., New York. **Offering**—Indefinitely postponed.

Southwestern Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters**—May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Strategic Materials Corp., Buffalo, N. Y.
April 14 it was reported company plans to offer for subscription by its common stockholders about $1,000,000 of additional common stock. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York.

★ Sunray Oil Corp.
May 13 company disclosed it is planning to issue and sell securities sufficient to raise several millions of dollars of capital to finance two new manufacturing division projects in each of which it would own a 50% interest. **Underwriter**—Eastman, Dillon & Co., New York.

Transcontinental Gas Pipe Line Corp.
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York .

United Gas Corp., Shreveport, La.
May 1 it was announced company plans to raise $50,000,000 during 1953 through the issuance and sale of additional common stock (par $10) and debentures. Earlier reports stated that about $20,000,000 of stock may be offered for subscription by common stockholders on a 1-for-15 basis and that the debenture offering will be about $30,000,000. **Proceeds**—For 1953 construction program. **Underwriters**—For stock, none. For debentures, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

Washington Gas Light Co. (6/15)
May 11 it was announced company plans to issue and sell $7,000,000 of refunding mortgage bonds. **Proceeds**—For new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Union Securities Corp. **Bids** — Expected to be received on June 15. **Registration**—Expected in near future.

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters** — May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

● Wisconsin Central Ry. (5/28)
May 12 company sought approval of the ICC to issue and sell $3,930,000 equipment trust certificates to be dated June 1, 1953 and to mature semi-annually from Dec. 1 1953 to June 1, 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids** — Expected to be received up to 1 p.m. (EDT) on May 28.

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

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Dealer-Broker Investment Recommendations & Literature

Dominion Equity Investments Ltd. — Memorandum — Cochran, Murray & Co., Dominion Bank Building, Toronto, Canada.

Dominion Tar & Chemical Co., Ltd.—Analysis—R. A. Daly & Co., 44 King Street West, Toronto 1, Ont., Canada.

Ford Motor Company of Canada Ltd.—Circular—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Fuji Photo Film—Data in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan. Also available is data on **Daito Woolen Spinning and Weaving, Tokyo Shibaura Electric** and **Hitachi.**

General Electric—Supplement to basic report—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Haile Mines—Memorandum—J. E. Grasett & Co., 244 Bay St., Toronto, Ont., Canada.

Hayes Steel Products Ltd.—Memorandum—G. E. Leslie & Co., Royal Bank Building, Montreal, Que., Canada.

Kellogg Co.—Memorandum—Ames, Emerich & Co., 105 South La Salle Street, Chicago 3, Ill.

Lehigh Valley Railroad—Memorandum—Hirsch & Co., 25 Broad Street, New York 5, N. Y. Also available is a memorandum on **Westinghouse Electric Corp.**

Missouri Pacific Railroad—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

National Chemical & Manufacturing Co. — **Memorandum** — Smith, Burris & Co., 120 South La Salle St., Chicago 3, Ill.

Pabst Brewing Company—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Public Service Co. of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Rosefield Packing Company—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif. Also available is a bulletin on **Mutual Funds**, and an analysis of **Lucky Stores, Inc.**

Salem-Brosius Inc.-American Cladmetals Co.—Memorandum—Graham, Ross & Co., 82 Beaver Street, New York 5, N. Y.

G. D. Searle & Co.—Analysis—F. S. Moseley & Co., 14 Wall Street, New York 5, N. Y.

Servomechanisms, Inc. — Bulletin — DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Southern Pacific Company—Analysis—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y.

Strong-Cobb & Co.—Memorandum—T. H. Jones & Co., Union Commerce Building, Cleveland 1, Ohio.

Telecomputing Corporation — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Utana Basins Oil—Information—W. D. Nebeker & Co., Pacific National Life Building, Salt Lake City 10, Utah. Also available is information on **Ute Royalty** and **English Oil.**

Westinghouse Air Brake Co.—Memorandum—Jones, Kreeger & Hewitt, 1625 Eye Street, N. W., Washington 6, D. C.

Westinghouse Electric Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Southern Natural Gas Offer Underwritten

Southern Natural Gas Co. is offering to its stockholders of record May 20, 1953, rights to subscribe for $34,220,100 4½% convertible sinking fund debentures due June 1, 1973, at 100% of principal amount, on the basis of $100 principal amount of debentures for each ten shares of stock held on the record date. Rights to subscribe are to be evidenced by subscription warrants, which will expire at 3:30 p.m. (EDST) on June 8, 1953. Halsey, Stuart & Co. Inc. and associates are underwriting the offering.

The proceeds from the sale of $30,000,000 first mortgage pipe line sinking fund bonds 4% series due May 1, 1973, and the convertible debentures will be applied to the prepayment of the $35,050,000 principal amount of outstanding notes of the company and to the construction of additions to the company's properties.

The debentures will be convertible into common stock of the company at principal amounts of debentures for each share of common stock, ranging from $28 to and including June 1, 1958; to $35.50 to and including June 1, 1973. The debentures will be redeemable at the option of the company at prices ranging from 105% to par, and for the sinking fund at prices ranging from 100% to par, plus accrued interest in each case.

Southern Natural Gas Co. operates an interstate natural gas pipe line system extending from the gas fields in Texas, Louisiana and Mississippi to markets in Alabama, Georgia and Mississippi. Its principal business is the transmission and sale of natural gas, at wholesale to other companies and municipalities, and directly to certain industrial users. Territory served by the company had a population of 2,051,787, based on the 1950 census, and total operating revenues for 1952 aggregated $39,425,260, while gross income was $8,841,801 and net income of $7,363,710 was equal to $2.15 per share.

General Contract Pfd. Offer Underwritten

Holders of the outstanding common stock of General Contract Corp. are being offered the right to subscribe at $11 per share for 500,000 shares of preferred stock, 6% series, of $10 par value at the rate of one new share for each 3.3 shares held of record on May 4, 1953. Subscription warrants will expire at 3 p.m. (CDST) on May 27, 1953.

The offering is underwritten by a group of investment bankers headed by G. H. Walker & Co.

The above shares are convertible and are entitled to cumulative dividends from May 31, 1953.

Unsubscribed shares are to be offered to holders of outstanding preferred stock, 6% series A ($10 par, 5% cumulative, convertible) in exchange for their series A stock plus an additional cash payment to be made to the company by the person desiring to make the exchange. Any remaining shares will be sold to the underwriters.

Of the proceeds of the cash sale of stock, an amount not exceeding $331,186.20 will be applied to the redemption of such of the 61,881 series A shares as have not been exchanged for the new preferred. Approximately $750,000 may be used by the company to pay off loans made to it by its subsidiaries (and used for the purchase of a 50% interest in the Midwestern Fire & Marine Insurance Co. at a cost of $505,000 and for the creation of an additional $250,000 reserve); and the balance of the proceeds will be used to increase the working capital of the company.

Cruttenden Firm Offers Basin Oil Corp. Stock

Cruttenden & Co., Chicago, Ill., are offering publicly 393,044 shares of Basin Oil Corp. common stock (par 10 cents) at 62½ cents per share "as a speculation." This includes 280,000 shares being sold for the account of the Basin Oil Corp. and 113,044 shares for the account of certain stockholders.

Basin Oil Corp. was incorporated in Delaware on March 8, 1951, to acquire and operate working interests in leases covering producing and undeveloped oil properties located in the States of Indiana, Illinois and Kentucky, in the area generally known in the oil industry as the "Illinois Basin."

The company's producing properties consist of working interests in leases on 2,046 acres, including 69 producing wells. It also has non-producing leases on approximately 500 acres in Kentucky and 440 acres in Indiana.

First Boston Group Offers Phila. El. Bonds

The First Boston Corp. heads an underwriting group which is offering today (May 21) $30,000,000 of Philadelphia Electric Co. new first and refunding mortgage bonds, 3⅞% series due 1983. The bonds are priced at 102.60% plus accrued interest to yield 3.73% to maturity. The issue was awarded at competitive sale on Wednesday.

Sale of the bonds is part of a financing program that also involved the public sale of 150,000 shares of new 4.68% preferred stock and the future sale to company employees of 100,000 shares of new common stock. The combined proceeds will be applied toward the cost of the company's construction program and a portion will be used to retire $20,000,000 of short-term loans incurred for construction.

To meet increasing demands for service the company and its subsidiaries are planning construction expenditures estimated at $385,000,000 for the six-year period 1933-1958. It is planned to spend around $73,000,000 in 1953. Of the total expenditures estimated for the six-year period, approximately $319,000,000 is for electric facilities and $44,000,000 for gas facilities.

Optional redemption prices for the new bonds start at 105.60% if redeemed during the 12 months ending April 30, 1954, decreasing to the principal amount after April 30, 1982.

$100 Million Delaware River Port Authority Revenue Bonds Off'd

Issue comprises $60,000,000 term and $40,000,000 serial bonds.

Public offering of $100,000,000 Delaware River Port Authority first series revenue bonds (Delaware River Bridges) is being made by a nation-wide underwriting group of 303 members headed jointly by Smith, Barney & Co.; Lehman Brothers; Harriman Ripley & Co., Incorporated; Drexel & Co.; and Halsey, Stuart & Co. Inc.

The offering consists of $60,000,000 of 3½% term bonds dated May 15, 1953 and due Dec. 15, 1983 and $40,000,000 of 4%, 3% and 3¼% serial bonds dated May 15, 1953 and due Dec. 15, 1957-1973, inclusive.

The term bonds are priced at 102½%, to yield 3.36% and the serial bonds are priced to yield from 2.15% to 3.25%, according to maturity.

The group submitted a bid of par for the bonds resulting in a net interest cost of 3.435% to the Authority.

Net proceeds from the financing will be used by Delaware River Port Authority to provide funds for the construction of a bridge over the Delaware River between Philadelphia, Pa., and Gloucester, N. J., and for deposit in funds to provide certain reserves for the bonds and to pay interest and principal payments of obligations of the Authority. The bridge is expected to be completed during 1957.

The term bonds carry a fixed sinking fund, payable annually commencing in 1958, calculated to retire the entire issue at or prior to maturity. In addition to the fixed sinking fund the term bonds will have the benefit of a contingent sinking fund for the accelerated retirement of the bonds.

The bonds are redeemable, beginning on June 15, 1958, at prices ranging from 104% to 100%. The redemption prices will apply to bonds redeemed either at the option of the Authority or through operation of the sinking funds.

The Authority is authorized to collect tolls, rentals or other charges at least sufficient at all times to provide revenues to pay the expenses of operation and maintenance of Authority projects and debt service requirements of the bonds.

The bonds are interest-exempt, in the opinion of Authority counsel, from Federal income taxes under existing statutes and from all state and local taxation directly imposed in Pennsylvania and New Jersey, except estate, inheritance, succession or gift taxes. The bonds are legal investment for savings banks, trust funds and certain other funds in Pennsylvania and New Jersey.

MEETING NOTICE

The New York Central Railroad Company

Albany, N. Y., April 21, 1953.

The Annual Meeting of the Stockholders of The New York Central Railroad Company, for the election of Directors and of three Inspectors of Election and the transaction of such other business as may be lawfully brought before the meeting, will be held in the Ball Room of the Hotel Ten Eyck, 87 State Street, in the City of Albany, N. Y., on Wednesday, May 27, 1953, at 12 o'clock Noon, Eastern Daylight Saving Time.

Stockholders of record at 3 o'clock P. M., on April 17, 1953, will be entitled to vote at such meeting.

RUSSELL T. WALKER, Secretary.

SITUATION WANTED

Security Analyst

Experienced and energetic, seeks connection with investment banking, stock exchange firm or institution. Please address Box R 521, Commercial & Financial Chronicle, 25 Park Place, New York 7

Joins B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

ROCK ISLAND, Ill.—Clarence W. Elder is now affiliated with B. C. Morton Co. of Boston. He was previously with T. C. Henderson & Co. of Des Moines.

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Delaware, May 18, 1953

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 25, 1953, to stockholders of record at the close of business on July 10, 1953; also 85¢ a share on the Common Stock as the second interim dividend for 1953, payable June 13, 1953, to stockholders of record at the close of business on May 25, 1953.

L. DU P. COPELAND, *Secretary*

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on May 20, 1953, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable July 1, 1953, to stockholders of record at the close of business on June 15, 1953.

The Board of Directors of this company on May 20, 1953, declared a dividend of 20 cents per share on the outstanding Common Stock of the company payable June 13, 1953, to stockholders of record at the close of business on June 1, 1953.

EDWARD FRAHER, Secretary.

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, on the capital stock (without par value) of the Corporation, payable June 15, 1953, to stockholders of record June 1, 1953.

L. G. REGNER, Secretary.

May 19, 1953.

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable July 1, 1953, to the holders of such stock of record at the close of business June 2, 1953.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable June 26, 1953, to the holders of such stock of record at the close of business June 2, 1953.

R. S. KYLE, *Secretary*

New York, May 19, 1953.

With Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John J. Socotch and Howard J. Strauch are now with Livingston, Williams & Co., Inc., Hanna Building.

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N. Y.

May 15, 1953

A cash distribution of One Dollar and Twenty-five cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on June 26, 1953, to stockholders of record at the close of business on May 29, 1953.

ROBERT C. SULLIVAN, Secretary

CONSOL

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on June 12, 1953, to shareholders of record at the close of business on May 29, 1953. Checks will be mailed.

CHARLES E. BEACHLEY, *Secretary-Treasurer*

May 18, 1953.

Reeves makes the fabric

REEVES BROTHERS, INC.

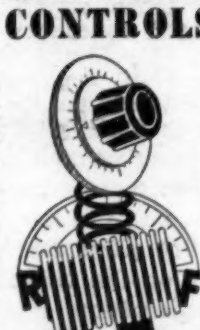
DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable June 15, 1953, to stockholders of record at the close of business June 1, 1953. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*

May 18, 1953.

ROBERTSHAW-FULTON CONTROLS COMPANY



Greensburg, Pa.

COMMON STOCK

A regular quarterly dividend of 37½¢ per share on the Common Stock has been declared, payable June 19, 1953 to stockholders of record at the close of business June 10, 1953.

The transfer books will not be closed.

WALTER H. STEFFLER, *Secretary & Treasurer*

May 14, 1953.

Old Town CORPORATION

Manufacturers of DUPLICATING MACHINES CARBON PAPERS - RIBBONS

The Board of Directors has declared the following dividends:

PREFERRED STOCK DIVIDEND No. 2

A regular quarterly dividend of 10 cents per share on the 40¢ Cumulative Preferred Stock.

COMMON STOCK DIVIDEND No. 44

A dividend of 20 cents per share on the Common Stock.

Both dividends are payable on June 30, 1953 to stockholders of record at the close of business on June 19, 1953.

BORDEN R. PUTNAM, *Vice-President & Treasurer.*

May 19, 1953

R. O. Salyer Opens

CASPER, Wyo. — Raymond O. Salyer has opened offices at 152 North Beech to engage in the securities business.

DIVIDEND NOTICES

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

A quarterly cash dividend of $.25 per share on the outstanding Common Stock of this Corporation has been declared payable June 27, 1953 to stockholders of record at the close of business on June 10, 1953.

DONALD A. HENDERSON, *Treasurer.*

Tennessee Gas Transmission Company

DIVIDEND NO. 23

The Board of Directors has declared a quarterly dividend of 35¢ per share on the Common Stock, payable July 1, 1953 to stockholders of record on June 5, 1953.

J. E. IVINS, *Secretary.*

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

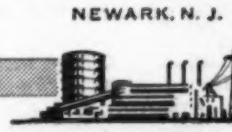
The Board of Directors today declared a dividend of 47 cents per share on the Common Stock of the Company, payable July 1, 1953 to stockholders of record at the close of business June 1, 1953.

JOHN HUME, *Secretary*

May 15, 1953.

Public Service Electric and Gas Company

NEWARK, N. J.



QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending June 30, 1953, all payable on or before June 30, 1953 to holders of record at the close of business on June 1, 1953.

GEORGE H. BLAKE, President

1903 ★ 1953 50 YEARS of SERVICE to NEW JERSEY

DIVIDEND NOTICES

LOEW'S INCORPORATED

MGM PICTURES · THEATRES · MGM RECORDS

May 20, 1953

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on June 30, 1953, to stockholders of record at the close of business on June 12, 1953. Checks will be mailed.

CHARLES C. MOSKOWITZ, *Vice Pres. & Treasurer*

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable June 15, 1953, to stockholders of record at the close of business May 26, 1953.

E. F. VANDERSTUCKEN, JR., *Secretary*

UNITED FRUIT COMPANY

216th

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1953, to stockholders of record June 12, 1953.

EMERY N. LEONARD, *Secretary and Treasurer*

Boston, Mass., May 18, 1953

YALE & TOWNE

DECLARES 260th DIVIDEND

50¢ PER SHARE

On May 18, 1953, dividend No. 260 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on July 1, 1953, to stockholders of record at the close of business June 10, 1953.

F. DUNNING, *Executive Vice-President and Secretary*

THE YALE & TOWNE MFG. CO.

Cash dividends paid in every year since 1899

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK DIVIDEND NO. 176

CUMULATIVE PREFERRED STOCK 4.32% SERIES DIVIDEND NO. 25

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable June 30, 1953, to stockholders of record June 5, 1953. *Checks will be mailed from the Company's office in Los Angeles, June 30, 1953.*

P. C. HALE, *Treasurer*

May 15, 1953

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—What President Eisenhower and his chief lieutenants see themselves doing is this: They are fashioning a great key which will unlock the door barring the broadest look at the future of what will happen to the United States of America for a period as far ahead as perhaps two generations.

This key to the future consists of the broadest imaginable review of the military program and defense economy requirements of the semi-garrison state. Such a half in war, half in peace situation is something which the Eisenhower Administration has embraced as the sober likely future of America — barring fortuitous accident in the meantime—for as long as maybe 50 years.

So, as the President himself has indicated, his military and highest civilian advisers are now going to try to determine what kind of a semi-garrison state the United States must have to secure its defense without lowering the present standard of living.

Every phase of American life will be affected by this review. It will determine what chance a youth has statistically of being whisked from school to the service, or to continue to live as a civilian. It may determine whether the United States shall spend $40 billion or $35 billion or how many billions a year for a garrison state indefinitely. This review—as the Eisenhower team sees it — will answer the question of whether the nation can expect its business ever to retain as much as half of its profits, or what part of their incomes individuals can hope to retain. It will deeply affect the market in a large degree for everything, from apples to zippers, and certainly for steel, copper, tin, zinc, and a literally staggering list of commodities.

Review "Strategic Plan"

First phase of this review is of the "strategic plan" or concept of the military establishment. In lay language this means that the military men are going to try to figure out what kind of a war the United States shall have to fight with Russia if war is forced by the enemy. That means they have got to make a guess as to whether it will be fought by land or by sea or by air, and where, and in what proportions, and how many guns, ships, and aircraft the United States shall need.

As has been rather widely reported in the press, this is the job which Mr. Eisenhower proposes to give to his new Joint Chiefs of Staff, headed by Admiral Radford. It is presumed that the reason the President named the new Joint Chiefs three months before the retirement of the present incumbents is so the new military leaders, free of routine duties, can begin to huddle on a revision of this strategic concept.

Officials think this revision is important. Reputedly it has been several years since the military brains of the United States has distilled an opinion as to what war with Russia will entail. The older strategic concept was framed when the operating weapons at the command of the military were basically the weapons of World War II. Now that there are jet fighters, atomic artillery, and perhaps the H-bomb, a whole new look is needed to determine what kind of a war will have to be fought, if war does come.

Review Economic Capacity

It is not enough to review alone the strategic concept. The military necessarily seeks to persuade the civil officials to agree to provide the maximum number of men, guns, ships, aircraft, and guided missiles. There perhaps has never been a war plan evolved by military brains that did not have to be cut down drastically by the civilians, for the military want all they can get, and expect to ask for more than they will get.

So civilian officials are now trying to figure out how many dollars will the people of United States allow themselves to be taxed indefinitely, year after year without seeming end, to finance this semi-garrison state.

The same officials must also consider how much in steel and bread, gasoline and chemicals, textiles, and so on, can be diverted regularly into this economically non-productive business of maintaining the indefinite "posture of defense," as officials put it.

Hence all fiscal and economic policy of the Eisenhower Administration basically hinges on this review. When officials like Secretary Humphrey tell the Senate Foreign Relations Committee that they cannot balance the Federal budget in fiscal 1954, what they perhaps don't understand is that what they mean is that they intend to make no commitments until General Eisenhower has worked out this vast, long-range, strategic concept. They cannot cut and thereby *de facto* commit the Administration to a smaller defense program than the Administration may desire to settle upon, once the grand strategic concept has been evolved.

So the Administration wants to keep this modified — with some economies—status quo on spending and taxes inherited from the Truman Administration.

Have Informed Themselves

As of the present moment all that the officials of the Eisenhower Administration can confess is that they have informed themselves of the broad outlines of the military planning they have inherited. They have also found the planning in their opinion miserable. They also mean to improve it by the best business methods.

Foremost of their headaches, as these officials see it, is this: that throughout the entire cold war planning, officials have found a terrible imbalance. Inventories are sadly out of balance. They found more soap than an Army could be expected to use in many, many years. They have found heavy procurement of obsolete aircraft and inadequate procurement of modern aircraft.

They have found that to their thinking, in certain phases the "mobilization base," or industrial capacity to produce in case of all-out war, is seriously redundant in some fields and grotesquely lacking respecting other weapons. This means that there will be a revision of mobilization goals, and more certificates of tax acceleration and more government loans to finance plant expansion capacity for goals in which they think there are these serious deficiencies. And of course simultaneously there will be cutbacks in production not only where production — out of balance—is far ahead of goals, but in areas where existing capacity is superfluous.

See No Disagreement on Mobilization Base

Fundamentally there is said to be no foundation for the press reports of the alleged argument between Defense Secretary Wilson and Director Arthur S. Flemming of the Office of Defense Mobilization.

According to these reports, Mr. Wilson wanted to concentrate production in primary or normal producers of weapons and get the largest volume produced of military hard goods, while Mr. Flemming wanted to spread out orders among secondary producers so as to keep, at least on a pilot plant basis, production going on the widest possible mobilization base.

Actually, according to spokesmen for both officials, there is no argument. Mr. Wilson is said to be opposed to merely building up in the shortest time a mere inventory of military hard goods, but is seeking only a balanced inventory and production. He also is said to favor maintenance of the widest possible mobilization or war production base against the eventuality of all out war.

Cut Over-Appropriation

Another of the serious headaches which the new managers of the proposed garrison state have discovered is this over-appropriation of funds for defense and foreign aid, especially the former. Since War II the Administrations of the past have always been asking for more appropriations than they could spend. The bewildered Congress, never able to keep up with details, has provided the money.

Hence, it is said that of funds to be actually spent for defense in fiscal 1954, only one-half will come from new appropriations to be made by Congress this year. The other one-half will come from past appropriations and contract authorizations.

This over-appropriating has been itself a great cause for the imbalance in military preparation. In some sectors procurement has obviously been faster and easier; in others, more time-consuming. In some fields military officials have been more eager to place contracts; in others they have lagged.

Want "Strong Economy"

The guiding philosophy of the civilian planning — the curbs which the civilian side will place on the military demands for unlimited materials and manpower—will be the maintenance of a strong economy. There is no secret that what officials mean by a "strong economy" is that the standard of living shall not be lowered. On the other hand, the "strong economy" does not necessarily mean that the Administration will ever plan, say, for a maximum corporation tax rate of say 42% or a diminution on any great scale of the burden of governmental costs. Presumably officials mean one day to cut that cost.

They think that the cost can be cut by some unknown billions if after this strategic planning the military can be induced to give up old weapons whilst adopting new weapons. So far the most ardent civilian officials have never been able, figuratively speaking, to persuade the military to abandon "mule artillery" while stocking up on atomic cannon.

This Is Their Purpose

The above is a report on what officials think they are doing and why, but is not this correspondent's prediction in any way of things to come.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"She certainly learned the 'touch system' fast!"

Business Man's Bookshelf

Adjustment of Property Losses — Second Edition — Prentiss B. Reed—McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y.—Cloth—$9.50.

Cycles—Reports projecting into the future newly discovered cycles in natural science, the stock market, commodity prices, real estate activity, sales, and business —membership in the Foundation, which includes 10 issues of "Cycles," a 56-year cyclical projection charge and a choice of one of three 1952 issues of "Cycles," $10—Department C-5-21, Foundation for the Study of Cycles, 9 East 77th Street, New York 21, New York.

Effects of Taxation: Investments by Individuals—J. Keith Butters, Lawrence E. Thompson, and Lynn L. Bollinger—Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—Cloth—$6.25.

Role of Mergers in the Growth of Large Firms, The — J. Fred Weston — University of California, Bureau of Business and Economic Research, Berkeley, Calif.—cloth—$3.50.

With Bonney & Moor

(Special to The Financial Chronicle)

WORCESTER, Mass.—Raymond B. Sideckas is now connected with Bonney & Moor, Inc., 390 Main Street.